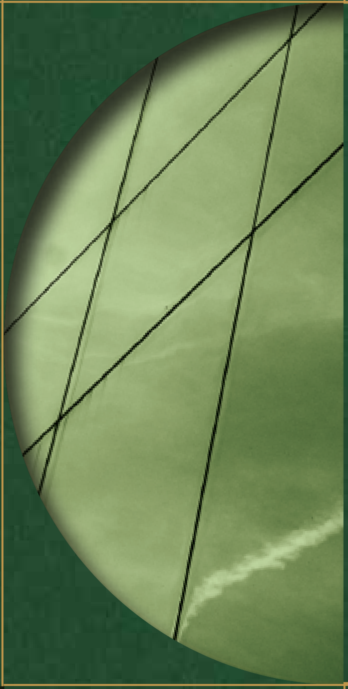
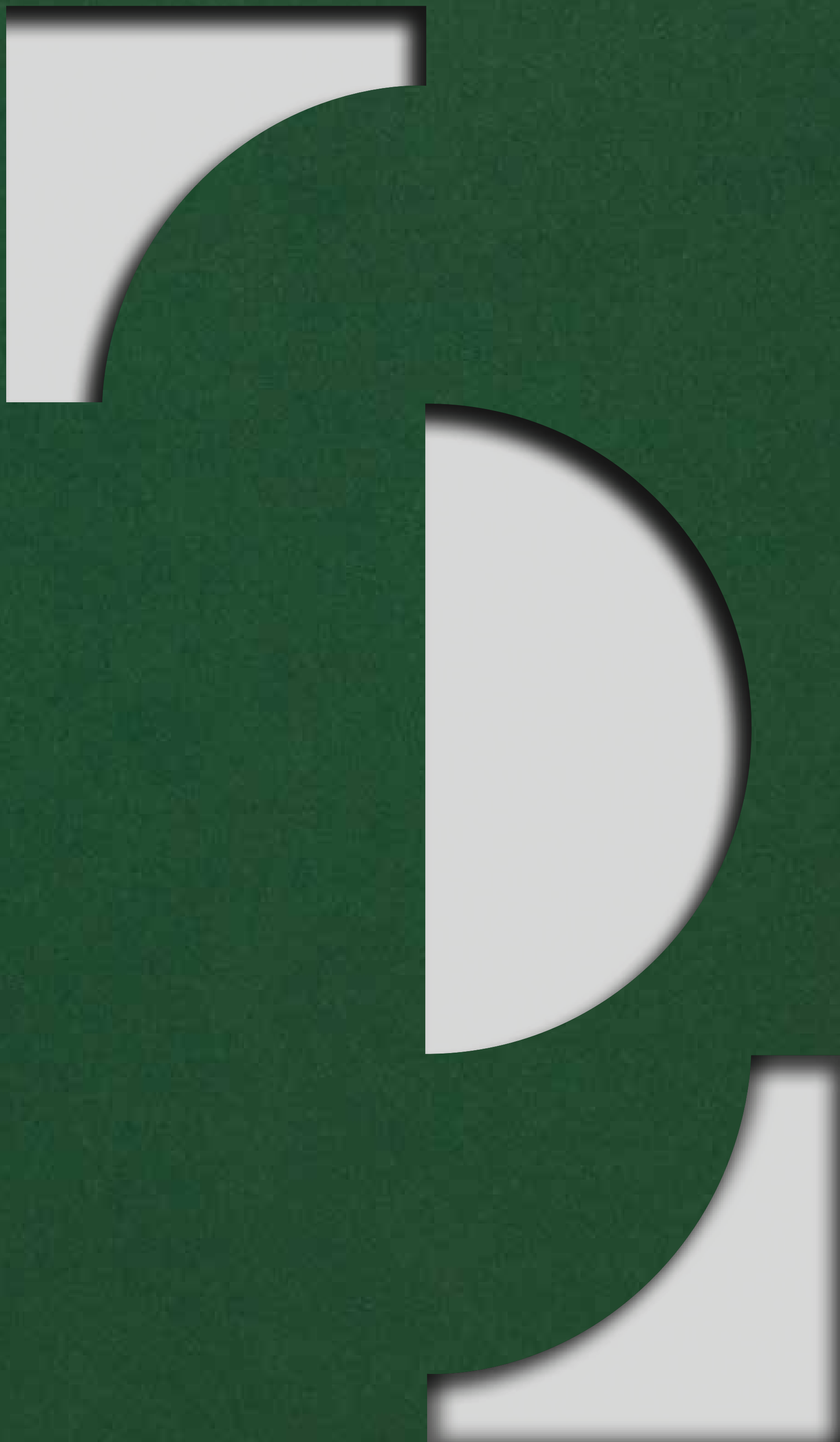
2021



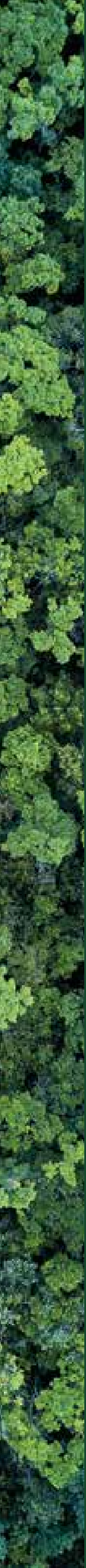
PUBLIC REPORT

RAFP



THE PUBLIC SERVICE ADDITIONAL PENSION SCHEME, A SUSTAINABLE PUBLIC PENSION FUND WITH FINANCIAL RESPONSIBLE MANAGEMENT

Retraite additionnelle de la Fonction publique



Market value of net assets

€41.9 billion

at 31 December

Annualised internal rate of return on investment of

5.6% since the Scheme's inception (7.9% in 2021)

€389 million

in benefit payment instructions issued

€1.96 billion

in contributions collected

4.5 million

active contributors

43,000

contributing employers

Economic coverage ratio after revaluation of

135.3%

CROSS PERSPECTIVES

DOMINIQUE LAMIOT,
CHAIRMAN OF ERAFP

The pandemic and its economic repercussions continued to dominate proceedings in 2021, but RAFP's board of directors pressed on calmly with its work, building on its previous achievements. A supplementary pension scheme that still has room for expansion and is a very long-term investor, with more than €41.9 billion of assets now under management, RAFP continued to increase its long-term financial solidity, while being equally attentive to the short term. It accordingly approved a revaluation unparalleled among other French pension schemes in 2021, voting at its meeting of 16 December to increase rights by 1.9% with effect from 1 January 2022. It also decided at that meeting to adjust the actuarial rates for converting annuities into lump sums, resulting in an increase of approximately 10% for beneficiaries receiving lump sum payments.

Committed to playing a full role, particularly in the Scheme's technical management, the directors, whose active and conscientious involvement in often highly technical matters, I applaud once again, were able to rely on detailed and comprehensive working documents prepared by ERAFP's staff. This decision-making groundwork was rounded out by very useful *ad hoc* training sessions and, as ever, greatly appreciated insights from outside providers. It is worth reiterating that our well-balanced governance has reached a degree of maturity that allows us to work together closely to establish a very broad consensus and move forward on complex issues. A good example is the roadmap setting ERAFP's environmental targets for 2025, in line with its target of making its investment portfolio carbon neutral by 2050, which was the subject of in-depth reflection in 2021. First of all, it required substantial work on ERAFP's part, leading up a seminar at which the directors were able to discuss climate and energy transition issues with company staff and a number of outside specialists. The document was then scrutinised by the usual committees before being adopted by the board, enhanced by these contributions and setting an ambitious trajectory for the years that it covers.

"In 2021, RAFP continued to increase its long-term financial solidity"

Lastly, after a transitional period involving an amendment to the 2016-2020 Objectives and Management Agreement that allowed for greater dialogue with the Scheme's administrative manager, a new objectives and management agreement for 2022 to 2026 was signed by ERAFP and CDC at the end of 2021, aimed at controlling administrative management costs more effectively and increasing their transparency.

All in all, in 2021 the Scheme was able to consolidate its accomplishments to date: a solid long-term financial base, investment choices that are prudent but still generate returns in the current low-interest environment, and governance aimed at safeguarding the interests of the Scheme's members.

Although the final months of 2021 were marked by new health, economic and geopolitical uncertainties that stymied the recovery somewhat, the upturn was nonetheless far-reaching in Europe and particularly in France: with growth of 7%, the French economy nudged past its pre-health crisis level by 0.3%. In this generally very favourable environment, market trends were contrasting, with interest rates remaining at rock bottom while equity markets experienced a stellar rise. The asset allocation that ERAFP's board of directors approved for 2021, which continued to rebalance the portfolio towards variable-income assets, benefited greatly to swell the Scheme's assets by an impressive €4.2 billion to €41.9 billion, compared with €37.5 billion at the end of 2020 and including a near €2 billion increase in unrealised gains. The internal rate of return was another source of great satisfaction for ERAFP's staff, all of whom contributed to this success. Coming in at 7.9%, well above its 2020 level, it reflected the sound performance of variable-income and unlisted assets, and to a certain extent to that of real estate, which largely offset the weaker performance of the portfolio's bond assets.

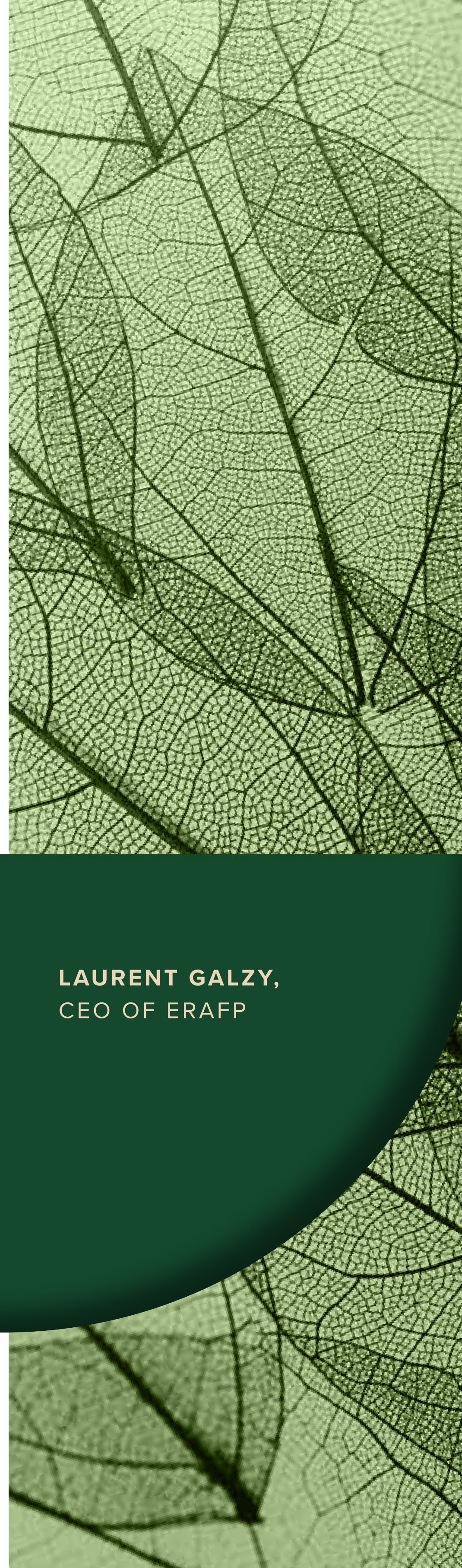
The Scheme's very positive financial results enabled us to achieve a financial coverage ratio at end-2021 of 111.9% and an economic coverage ratio of 135.3%. These conditions gave the board of directors the confidence to exceed the 1.4% guidance on point purchase and service value revaluations, equal to the 2021 level of inflation contained in the 2022 finance bill, and increase both of them by 1.9%. At the same time, the gradual increase in discount rates and life expectancies necessitated an adjustment of the annuity-to-lump sum conversion rates, which were raised by around 10%. With its increasingly diversified allocation strategy and prudent investment management, RAFP therefore stands out as a robust scheme compared to other schemes whose decisions in favour of their beneficiaries were less generous this year.

"We also took ERAFP's energy transition policy to the next level in 2021"

I sincerely hope that the 2022-2026 Objectives and Management Agreement, which we and our administrative manager CDC signed at the very end of the year after intense effort on both sides, will enable us to continue our work together smoothly, to the ongoing satisfaction of the Scheme's beneficiaries.

We also took ERAFP's energy transition policy to the next level in 2021 by adopting our 2021-2025 roadmap, in the broader context of our membership of the Net-Zero Asset Owner Alliance. The targets set include reducing the scopes 1 and 2 carbon intensity of our equity and bond portfolios by 25% between 2019 and 2024, aligning our non-residential real estate portfolio with the 2025 transition point of the Carbon Risk Real Estate Monitor (CRREM) scenario, i.e. 1.5°C, and engaging in dialogue with more than 30 of the portfolio's most highly emitting companies to promote an energy transition in line with the Paris Agreement, either directly in the context of new or existing collective actions through Climate Action 100+, or through our asset managers. We are stepping up our funding for the energy transition, too.

Rounding off this very positive year for the Scheme, I would also point out that in line with the new regulatory requirements, ERAFP's public report is now accompanied by a separate report on our ESG strategy, which provides even more detailed information on the various aspects of our policy in this area. We have inserted hyperlinks between the two reports to make them easier to read, and I hope that everyone will find what they say interesting and useful.



LAURENT GALZY,
CEO OF ERAFP

RAFP'S **MAIN ROLES**

Operational since 2005, the French Public Service Additional Pension Scheme (RAFP) is a unique scheme.

PROVIDING AN ADDITIONAL PENSION TO PUBLIC SECTOR EMPLOYEES

Thanks to the Scheme, close to 4.5 million contributors will receive additional pension benefits. Their contributions are based largely on bonuses and are topped up by some 43,000 public sector employers. Contributions collected totalled €1.96 billion in 2021.

PROMOTING PUBLIC SERVICE VALUES THROUGH SOCIALLY RESPONSIBLE INVESTMENT

As a public institution that manages a retirement scheme for public sector employees, ERAFP is dedicated to the common good and imbued with a strong sense of social priorities.

Accordingly, since inception it has developed an ambitious programme to institute a socially responsible investment policy founded on public service values. This policy takes environmental, social and governance criteria into account in all of the Scheme's investment decisions.

RECONCILING FINANCIAL RETURNS AND IMPACT INVESTING

As France's only public sector pension fund, ERAFP aims to show that an investor can play a role serving the public interest without forgoing the financial return on its investments.

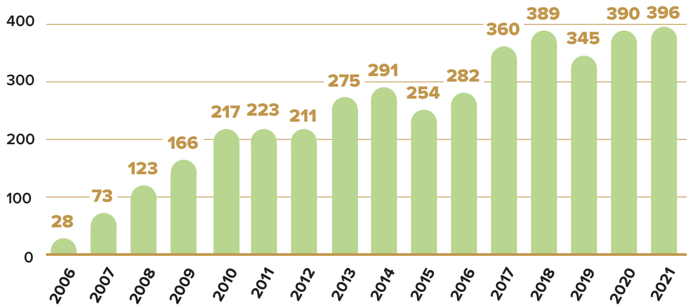
It has thus targeted three specific action areas: contributing to the energy transition, supporting economic activity and employment and financing affordable housing for public sector workers.

ADDITIONAL PENSIONS **IN BRIEF**

Steady expansion

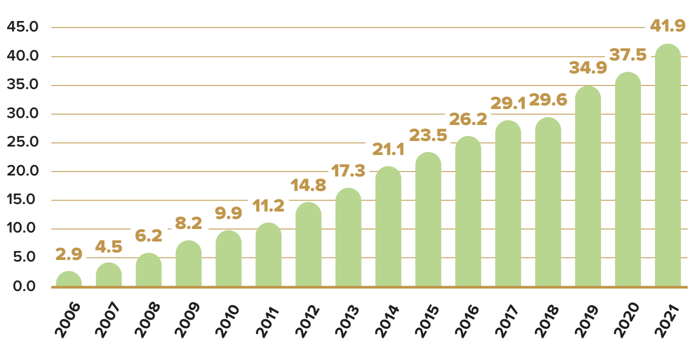
BENEFITS PAID SINCE THE SCHEME'S CREATION (IN € MILLIONS)[1]

Source — ERAFP



NET ASSETS AT MARKET VALUE SINCE THE SCHEME'S CREATION (IN € BILLIONS)

Source — ERAFP



1. Accounting value

RAFP OR ERAFP ?

Article 76 of the 21 August 2003 pension reform law created a mandatory public service additional pension scheme – known as 'Retraite additionnelle de la fonction publique', or RAFP – under Decree no. 2004-569 of 18 June 2004.

RAFP therefore generically describes the Scheme created though this law, but not the legal entity itself.

ERAFP, or 'Établissement de retraite additionnelle de la fonction publique', is the public sector administrative entity charged with the Scheme's management.

Legal basis

Article 76 of the French Pension Reform Law 2003-775 of 21 August 2003

Decree no. 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme

Order of 26 November 2004, as amended, implementing Decree no. 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme

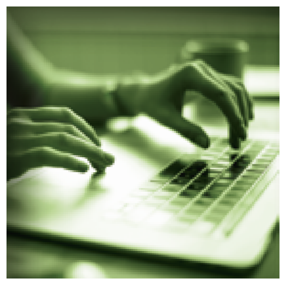
HIGHLIGHTS

7 OCTOBER

ERAFP STRENGTHENS ITS COMMITMENTS TO COMBAT CLIMATE CHANGE

At its meeting of 7 October 2021, the board of directors adopted ERAFP's objectives for 2025, in line with its target of making its investment portfolio carbon neutral by 2050.

Page 65

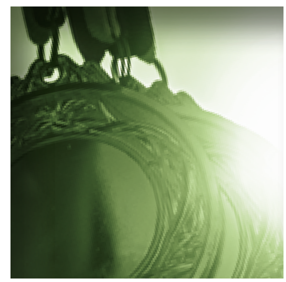


18 OCTOBER

NEW VERSION OF ERAFP'S WEBSITE GOES LIVE

This new interface, which is more intuitive and user-friendly, has specific new sections that make it easier for users to navigate. The completely restructured website also highlights the Scheme's socially responsible investment (SRI) policy and related actions.

Page 31



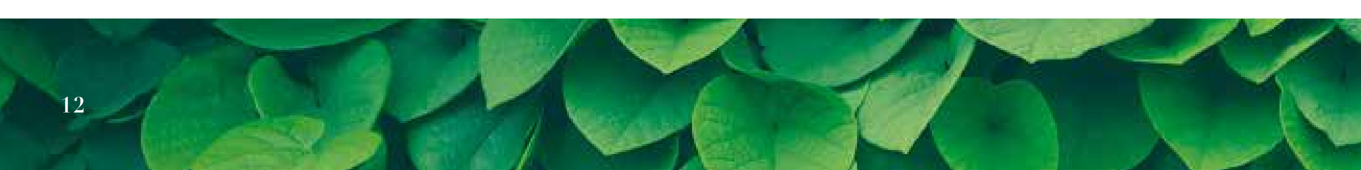
29 OCTOBER

ERAFP WINS AWARD FOR THE QUALITY OF ITS CLIMATE REPORT

At the fourth edition of the International Climate Reporting Awards organised by the French Ministry for the Ecological Transition, the French Ecological Transition Agency and the think tank 2° Investing Initiative, ERAFP was awarded a prize for the quality of its latest climate report.

ERAFP also won the IPE Awards prize for best French pension fund in 2021, a distinction that reflects the recognition by its European peers of the quality of its investment policy.

Page 122



2021

3 NOVEMBER

ERAFP SIGNS FINANCE FOR TOMORROW'S PLEDGE OF SUPPORT FOR THE DEVELOPMENT OF IMPACT FINANCE

By signing Finance for Tomorrow's pledge of support for the development of impact finance, ERAFP is seeking to help further this socially responsible investment approach, which it applies to some of its investments.

Page 80

1 DECEMBER

ERAFP SIGNS THE FINANCE FOR BIODIVERSITY PLEDGE

ERAFP signed the Finance for Biodiversity Pledge to highlight jointly with peers that the loss of biodiversity is a major challenge facing investors in the coming years.

Page 56

16 DECEMBER

ERAFP'S BOARD OF DIRECTORS ADOPTS NEW LUMP SUM CONVERSION RATES

Following discussions on 16 December 2021, the board of directors decided to change the actuarial rates for converting annuities into lump sums, based on the discount rate for commitments, net of costs, applicable in 2021, and the historical life tables currently in force. These new rates came into force on 1 January 2022.

Page 28

CONTENTS

1 Management of RAFP in 2021

2 Scheme strategy and performance

For more information
Glossary

3

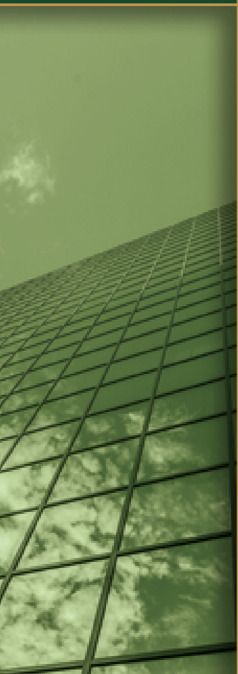
PAGE 86

Financial and non-financial analysis of ERAFP's portfolios

A

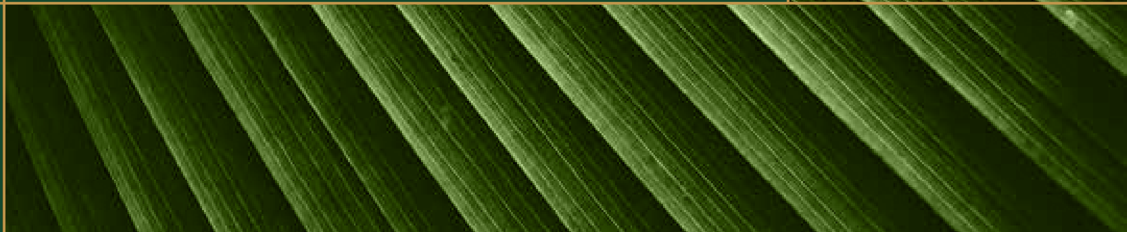
PAGE 112

Appendices



PART 1

MANAGEMENT OF RAFP IN 2021



COMPOSITION OF **ERAFP'S BOARD OF DIRECTORS**

New appointments to the board of directors

- Pursuant to the order of 17 February 2021, Angélique Noizette was appointed deputy member of the board of directors, replacing Christelle Gay.
- Pursuant to the order of 28 April 2021, Jean-Pierre Costes was appointed primary member of the board of directors, replacing Philippe Sebag.
- Pursuant to the order of 28 April 2021, Philippe Sebag was appointed deputy member of the board of directors, replacing Catherine Gilles.
- Pursuant to the order of 28 April 2021, Catherine Theiller was appointed deputy member of the board of directors, replacing Guillaume Venard.
- Pursuant to the order of 5 October 2021, Thibaut de Vanssay de Blavous was appointed primary member of the board of directors, replacing Philippe Hello.
- Pursuant to the order of 5 October 2021, Éric Duflos was appointed deputy member of the board of directors, replacing Serge Deneuvéglise.

QUALIFIED PERSONS

Cécile Chaduteau-Monplaisir[2]	**Dominique Lamiot** *Chairman*	**Vincent Lidsky**

CENTRAL GOVERNMENT EMPLOYERS' REPRESENTATIVES

FINANCE	**FINANCE**	**DEFENCE**	**DEFENCE**	**EDUCATION**	**EDUCATION**
Christophe Landour *Primary*	**Valérie Georgeault** *Deputy*	**Thibaut de Vanssay de Blavous** *Primary*	**Catherine Theiller** *Deputy*	**Emmanuelle Walraet** *Primary*	**Pierra Mery** *Deputy*

LOCAL AND REGIONAL EMPLOYERS' REPRESENTATIVES

AMF	**AMF**	**ADF**	**ADF**	**Régions de France**	**Régions de France**
Philippe Laurent *Primary*	**Jean-Claude Husson** *Deputy*	**Martine Ouaknine** *Primary*	**Arnaud Arfeuille** *Deputy*	**Jean-Luc Gibelin** *Primary*	**Laurent Burckel** Deputy

PUBLIC HOSPITAL EMPLOYERS' REPRESENTATIVES

FHF	**FHF**	**FHF**	**FHF**
Chantal Borne *Primary*	**Richard Tourisseau** *Deputy*	**Gérard Vincent** *Primary*	**Christiane Coudrier** *Deputy*

ACTIVE CONTRIBUTORS' REPRESENTATIVES

CGT	**CGT**	**CFDT**	**CFDT**	**FO**	**FO**
Hélène Guerra *Primary*	**Didier Louvet** *Deputy*	**Michel Argiewicz** *Primary*	**Chantal Gosselin** *Deputy*	**Jean-Christophe Lansac** *Primary*	**Gilles Calvet** *Deputy*
UNSA	**UNSA**	**FSU**	**FSU**	**SOLIDAIRES**	**SOLIDAIRES**
Frédéric Le Bruchec *Primary*	**Angélique Noizette** *Deputy*	**Olivier Kosc** *Primary*	**Éric Duflos** *Deputy*	**Christine Berne** *Primary*	**Laurent Gathier** *Deputy*
FA-FP	**FA-FP**	**CFE-CGC**	**CFE-CGC**		
Amar Ammour *Primary*	**Marie-Christine Ramon** *Deputy*	**Jean-Pierre Costes** *Primary*	**Philippe Sebag** *Deputy*		

2. Cécile Chaduteau-Monplaisir resigned from her position in 2021.

REVIEW OF THE MID-TERM EVALUATION OF THE BOARD'S WORK

Having taken office in January 2020, just a few months before the onset of the health crisis, ERAFP's board of directors faced exceptional circumstances in the early part of its term of office. However, as this situation did not prevent it from carrying out its work, it was still possible to carry out a mid-term evaluation as provided for in its internal regulations. This self-assessment exercise was designed to meet the following four objectives:

- enable the board to assess the work it had carried out since its appointment by identifying its main achievements and the obstacles encountered in the first part of its term of office, as well as future challenges;
- based on the board's experience during the first two years of its term of office, identify areas for improvement to make it better equipped to carry out its work effectively thereafter;
- monitor the areas for improvement identified in the assessment of the work done by the outgoing board;
- check that directors have the appropriate tools and information to perform their duties.

THE WORK OF **THE BOARD OF DIRECTORS**

Work by the board and its sub-committees in 2021

ERAFP's board of directors met four times during the year in 'hybrid' mode (where directors could attend either in person or by videoconference).

The board and its sub-committees met a total of 31 times in 2021. Directors were also able to take part in four training days on various topics: the preparation of ERAFP's annual financial statements, asset and liability management, the assessment of companies' non-financial performance and the role of bond investments in investment strategies.

Building on the experience it gained during the first year of governing the Scheme in a context marked by the health crisis, the board of directors continued its work in 2021.

ATTENDANCE AT BOARD MEETINGS IN 2021

Source — ERAFP

INDEPENDENT DIRECTORS

Dominique Lamiot

Cécile Chaduteau-Monplaisir

Vincent Lidsky

REPRESENTATIVES OF EMPLOYERS

FPH - French federation of hospitals 1

FPH - French federation of hospitals 2

FPT - French regions

FPT - Assembly of French departments

FPT - French mayors' association

FPE - national education body

FPE - Economy and finance ministries

FPE - Ministry of the armed forces

REPRESENTATIVES OF ACTIVE CONTRIBUTORS

CFE-CGC

FA-FP

SOLIDAIRES

FSU

UNSA

FO

CFDT

CGT

Find out more

Scheme governance

Main decisions adopted in 2021

- At its meeting of 7 October 2021, the board of directors adopted ERAFP's objectives for 2025, in line with its target of making its investment portfolio carbon neutral by 2050[3].
- Following discussions on 16 December 2021, the board of directors decided to change the actuarial rates for converting annuities into lump sums, based on the discount rate for commitments, net of costs, applicable in 2021, and the historical life tables currently in force.
- In accordance with the Scheme's technical parameter guidelines, it decided at the same meeting to increase both the purchase value and the service value of a point by 1.9%[4].
- The board of directors also adopted the 2022-2026 Objectives and Management Agreement between ERAFP and Caisse des dépôts et consignations at this meeting.

In 2021, a year still largely affected by the pandemic, the asset and liability

3. These targets are detailed on pages 65-75.

4. The details and procedures for applying this decision are provided on page 42.

COMMITTEE CHAIR REVIEWS

WORK OF **THE CSAP**

➤ **EMMANUELLE WALRAET,** CHAIR OF THE ASSET AND LIABILITY MANAGEMENT COMMITTEE (CSAP)

management committee closely monitored the economic recovery, accompanied as it was by strong pressure on oil and gas prices that pushed up inflation while interest rates remained low. While it is clear that RAFP, like all pension schemes with long-term commitments, continues to suffer from the level of interest rates (and hence increased reinvestment risk), the resurgence of inflation could, over time, make the task of maintaining the purchasing power of the pensions we pay particularly difficult.

At the same time, the work done on demographic factors, such as monitoring the historical life tables adopted in October 2019 and the increase in the average age of contributors, allows us to monitor more closely the effects of this twofold demographic pressure on the Scheme's equilibrium. The studies that ERAFP has carried out in this area suggest the related impact will be very slight.

While these topics will be an important focus for committee members going forward, 2021 also highlighted overall robustness of the Scheme, which recent regulatory changes have increased. Indeed, it is because of its increased asset diversification that the portfolio was able to profit from the sharp rise in equity markets over most of 2021, leading to a €2 billion increase in unrealised gains between end-December 2020 and end-2021. The portfolio's excellent overall performance thus enabled it to boost the value of the Scheme in 2021, with balance sheet assets of €33.0 billion and a portfolio value of €41.9 billion at year-end.

Against this backdrop, our points revaluation decision for 2022 took into account, on the one hand, these excellent 2021 management results and, on the other, the particularly uncertain economic environment in which we are operating, marked at the end of 2021 by the ongoing epidemic and the upturn in inflation, and more recently by the war in Ukraine. The committee thus considered both the revaluation margins that could be achieved in compliance with the Scheme's guidelines and the risks of not being able to increase pensions in line with inflation in the future. The board voted almost unanimously in favour of increasing the value of a point by 1.9%.

Lastly, the committee approved the strategy of continuing to diversify the Scheme's assets, albeit while maintaining a cautious framework in which bond investments account for more than 40% of the portfolio. The deterministic and stochastic studies that ERAFP has carried out show that diversified scenarios are the best way to protect the value of the Scheme's assets over the long term. We thus expect to increase the weighting of variable-income assets to 45% at a three-to-five-year horizon and that of real estate to 15% at a five-year horizon, basing our ramp-up decisions on the context, risks and market opportunities prevailing at the time. With regard to real estate, while the committee still has a marked preference for residential property, particularly the intermediate category, we are also looking carefully at retail and office real estate investment options, taking into account the risks and opportunities in an evolving market.

In conclusion, in 2021 the committee closely monitored the effects of the economy and demographic conditions on the Scheme's long-term equilibrium and the pension increases provided to its beneficiaries. In a particularly uncertain context in early 2022, the committee will continue this methodical review in the short and long-term interest of the Scheme's contributors and retired beneficiaries.

WORK OF **THE CSA**

After the signing of a mandate agreement with CDC in 2020 that strengthened the legal basis of the relations between our two institutions, for the audit committee 2021 mostly involved monitoring the various stages of negotiation of the 2022-2026 Objectives and Management Agreement. At its April meeting, the CSA resolved that the roadmap for drawing up the new agreement would include five points:

- cost control, which implies a realistic financial trajectory, a sound understanding of standard invoicing costs and transparent reporting;
- a dashboard presented to the CSA to monitor major projects in particular (roll-out of the employment data filing process (DSN), integration into the single career management directory (RGCU), etc.);
- appropriate strategic steering of information systems and effective IS support for ERAFP;
- high-quality 'customer relations' with contributors, pensioners and employers;
- updating of administrative management performance indicators that are sufficiently ambitious and limited in number.

Committee members regretted that the state of discussions did not enable us to present a draft as initially planned in October, despite real progress: unsurprisingly, the key stumbling blocks were the financial trajectory, to be considered in light of the quality of service expected by ERAFP, and the transparency of cost reporting, with the need for an annual comparison between actual costs and invoiced costs. However, the intensification of discussions between ERAFP's management and CDC resulted in a satisfactory compromise for both parties, culminating in the board's approval of the Objectives and Management Agreement in December and its signing by ERAFP's chairman and CEO and CDC's social policy director. A new period is therefore underway that I have no doubt will deliver results in terms of improved efficiency, maximum transparency and better cost control, in the service of our active contributors.

Beyond this core topic, in 2021 the committee also focused on monitoring the work of the Union Retraite and Modernisation des déclarations sociales (MDS) public interest groups, the latter of which is steering the ongoing roll-out of DSN employment data filing processes for public employers. With ERAFP occupying the position of public pensions representative at the MDS public interest group for three years from 2022, this committee's members will remain particularly attentive to the changes underway, which we expect to deliver more reliable data flows and processing.

MICHEL ARGIEWICZ,
CHAIR OF THE AUDIT COMMITTEE (CSA)

WORK OF **THE CSR**

In 2021, the CSR reviewed the work carried out in recent years, continued with ongoing projects and identified new challenges for the second part of its tenure.

A review was necessary first and foremost because when the decision was made, effective May 2019, to implement a system for the split payment of lump sums, the committee wanted to check that it worked properly in different scenarios, a process that led it to adjust this mechanism in 2020 to take into account early retirement cases relating to long or active service. It was therefore with satisfaction that the committee members noted, one year after the changes to the system came into force, that it has now achieved its objectives.

Next, continuing with ongoing projects: as planned, the project for implementing DSN employment data filing processes by public employers was monitored very closely throughout the year, with the administrative manager's departments regularly informing us of its progress. This brought to light various difficulties with effecting the switch from the N4DS system to the DSN system for certain employers: concerned as to the possible impact on the employers' financial accounts and as a consequence on the individual retirement accounts of the Scheme's beneficiaries, the committee asked the administrative manager to exercise the utmost vigilance in its checks. As the coming year will be particularly decisive in ensuring a successful transition to this new reporting standard, the committee will be especially careful to support public employers in this change in order to safeguard the vested rights of RAFP contributors. It is in this context that, in 2022, it will continue the monitoring initiated in 2021 of employers with the highest arrears and those whose position is objectively deteriorating.

Lastly, identifying new challenges. We tackled one in particular – relating to ERAFP's wish to raise awareness about the Scheme. For us, this means further improving access to information on the effective date of the additional pension for future public sector beneficiaries *via* all communication channels, whether CDC or ERAFP, and particularly on the www.rafp.fr website, which was recently redesigned to make its content clear and easily accessible to all.

FRÉDÉRIC LE BRUCHEC,
CHAIR OF THE COLLECTIONS COMMITTEE (CSR)

WORK OF **THE CSPP**

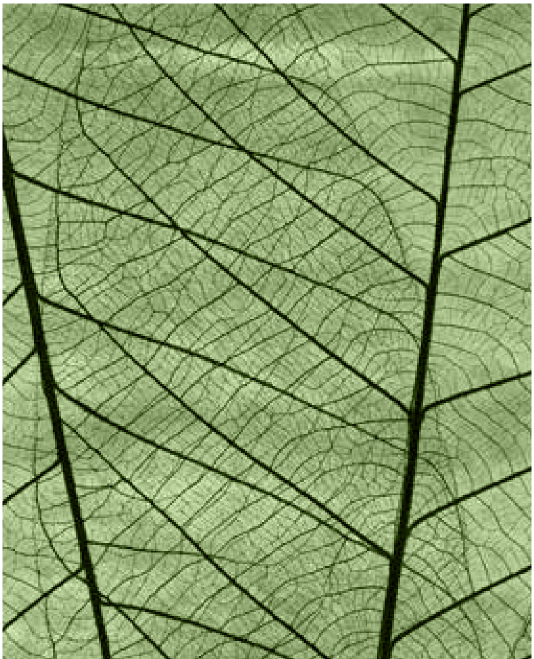
PHILIPPE LAURENT,
CHAIR OF THE INVESTMENT POLICY MONITORING COMMITTEE (CSPP)

Long identified by ERAFP, climate change issues once again figured prominently in the CSPP's work in 2021. The upshot was that, after committing in 2020 to making its investment portfolio carbon neutral by 2050, ERAFP took another step forward last year by setting initial targets for achieving this goal, covering the period 2021-2025. ERAFP has chosen several courses of action, from emissions reduction targets and engagement targets to funding targets. The committee spent time focusing on each one, preparing the ground for the board meetings in July and October based on an in-depth review of the roadmap presented by management, which was then adopted at the second of those meetings. The committee greatly appreciated – and continues to appreciate – the considerable work carried out by ERAFP's financial management team, which not only prepared the roadmap but also provided directors with useful insights, specifically at a seminar organised on this subject in June.

Climate-related issues also kept the committee busy during the first half of the year, but this time in the form of our six-monthly monitoring of the SRI ratings of ERAFP's portfolios. These ratings also cover other aspects that the committee scrutinises closely – employment issues being a notable example. Aware of the effects of the transition to a low-carbon economy, particularly on jobs, and in order to increase companies' consideration of these effects, ERAFP decided to participate from the outset in the global coalition of engagement for a just transition led by Finance for Tomorrow, launched in June. The committee will monitor the actions taken as part of this initiative.

The engagement initiatives that ERAFP takes part in are an important means for ensuring that the SRI guidelines adopted by the board are implemented, which is why, in 2021 as every year, the committee placed particular importance on monitoring them, notably ahead of investee companies' general meetings, most of which were held in the spring. At the end of the year, the committee prepared the board's work on the changes to be made to the shareholder engagement guidelines for the coming year: after introducing the fight against climate change as a priority engagement theme in 2020, the board passed several provisions in 2021 designed to leverage its voting policy to encourage companies in sectors with a high climate impact to become more accountable.

Lastly, looking further ahead, ERAFP signalled its intentions relating to the prevention of biodiversity loss, a new challenge partly linked to climate change, by signing the 'Finance for Biodiversity Pledge' with other investors in early December 2021. The committee will have the opportunity to focus on this issue in the second part of its tenure.



CONTRIBUTIONS & BENEFITS IN 2021

Around **43,000**
contributing employers

€1.96 billion
in contributions collected in respect of 2021

4.5 million
active contributors in 2021

162,500
pension liquidations and
83,000
individual RAFP account revisions in 2021

€389 million
in benefits paid, including
€115 million in annuities
and **€274 million**
in lump sums

More than **345,000**
annuities in payment

An additional retirement benefit

A mandatory, points-based scheme created for public servants working in French central government (civilians and military), local and regional authorities and the public hospitals sector, and members of the judiciary.

An additional retirement benefit that takes into account bonuses and ancillary remuneration.

A contribution basis made up of all types of remuneration not included in the calculation of the basic pension – bonuses, overtime hours, allowances and benefits in kind, capped at 20% of gross basic salary.

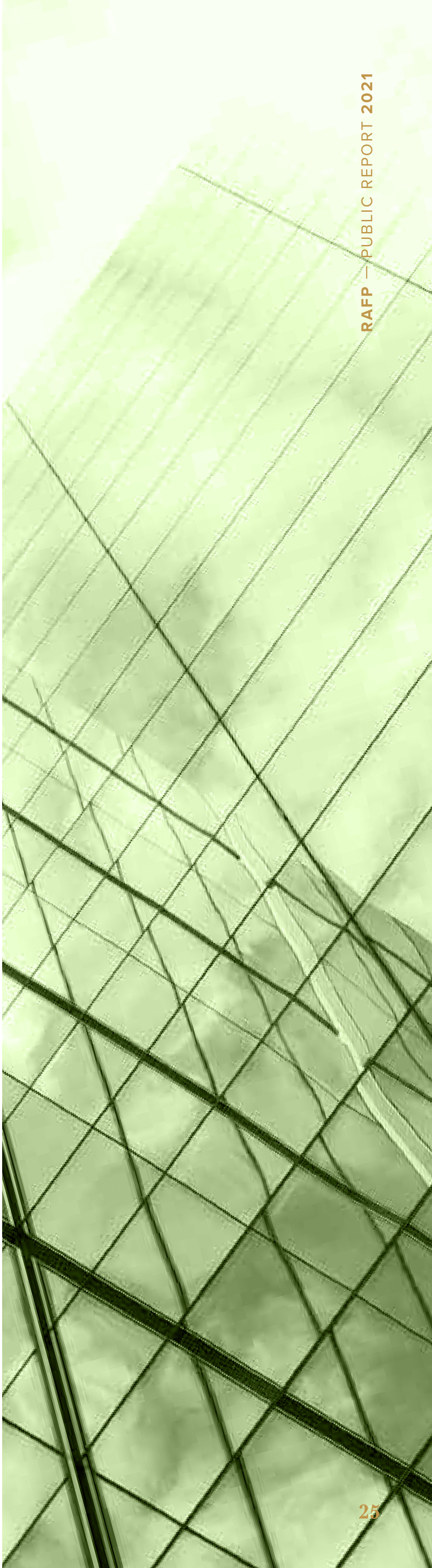
An overall contribution rate set at 10% of the basis amount, split evenly between the employer (5%) and the public servant (5%).

Scheme governance

ERAFP manages the public service additional pension scheme. As such, it governs and guides the Scheme, manages the capitalised assets used to finance future pensions, centralises the Scheme's income and expenses in its accounts and pays the benefits to its beneficiaries (Article 16 of the Decree of 18 June 2004 relating to the public sector additional pension scheme).

The Scheme's administrative management has been entrusted to Caisse des dépôts et consignations (CDC), under the authority and control of the board of directors. An objectives and management agreement, entered into for a minimum period of five years, lays down the multi-year administrative management objectives, the resources available to the manager to achieve them and the related actions expected of the signatories (Article 32 of the Decree of 18 June 2004 relating to the public sector additional pension scheme).

In addition, on ERAFP's behalf under a mandate agreement, CDC liquidates and pays out the Scheme's benefits for employees of public hospitals and regional authorities. While CDC is also responsible for liquidating benefits for central government employees, the Public Finances Directorate General (DGFiP) deducts the related social security and tax contributions and pays out the benefits. The activities that the DGFiP carries out for the Scheme are also covered by a mandate agreement.



Changes to the RAFP benefit rights vesting system

PARAMETERS SET BY THE BOARD OF DIRECTORS

By a decision of 17 December 2020, the board of directors raised the RAFP point value by 0.4% for 2021.

€1.2502

Purchase value of a point in 2021

€0.04675

Service value of a point in 2021

Find out more

How are your contributions calculated?

LEGAL AND REGULATORY DEVELOPMENTS

Decree of 18 December 2020 *amending Decree no. 2017-1889 of 30 December 2017, which introduced a compensatory allowance for CSG increases in the public sector, to instigate the annual revaluation on 1 January of this allowance, effective 1 January 2021.*

Order of 12 February 2021 reapplying the provisions made in 2020 relating to the time savings account (CET) in the public hospital sector, i.e. the possibility of registering 20 new days on the time savings account in 2021, compared with 10 usually. It also raised the ceiling for the number of days saved from 70 in 2020 to 80 in 2021.

Order of 30 June 2021 *raising from 10 to 20 the ceiling for the number of days that can be registered in the CET for 2021 by central government employees serving abroad, in order to deal with the consequences of the Covid-19 pandemic. It also raised the overall ceiling for the number of days that can be registered in the CET for 2021 from 60 to 80.*

Article 16 of the 2022 Social Security Funding Law no. 2021-1754 of 23 December 2021, *which excludes from the Scheme's contributions base the contribution of public sector employers to the funding of their employees' benefits as well as the fixed monthly contribution of €15 payable by central government to fund its employees' supplementary health insurance from 1 January 2022.*

RAFP's administrative management in 2021

A STABLE NUMBER OF EMPLOYERS AND CONTRIBUTORS

Around 43,000 employers and 4.5 million public servants paid contributions into the Scheme in 2021, enabling it to collect more than €1.96 billion in total.

96.73% of employers had paid in all the requisite contributions in respect of 2020 by the end of 2021. The update rate for contributors' accounts topped 99%.

The average annual payment incident rate was 3.86% in 2021, compared with 3.45% in 2020. This increase is due to configuration errors in the software purchased by public sector employers to put in place the DSN employment data filing system. These payment incidents are subject to corrective actions, which covered 98.96% of all incidents.

Average lump sum of

€3,318

and average annuity of

€376

NEARLY €389 MILLION IN BENEFITS PAID

In all, €389 million in benefits was paid out to beneficiaries in 2021[5], a 1.1% increase from 2020. At the same time, around 162,500 new pension liquidations were carried out (up 7% compared with 2020). The number of benefits revisions decreased by 17% from 99,866 in 2020 to 83,000 in 2021. These revisions result from updates to employees' individual retirement accounts based on individual corrective or additional declarations, linked in particular to the beneficiaries' contributions for their last year of work.

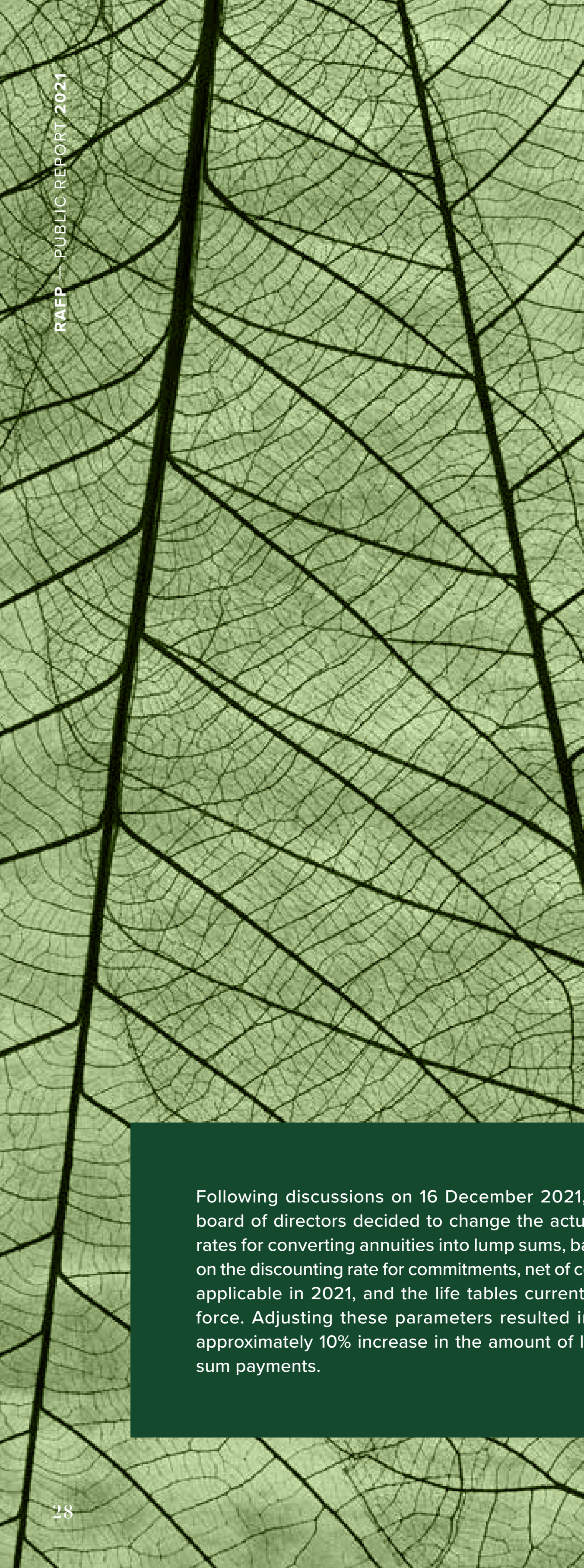
5. This amount includes the reversionary benefits paid out to deceased beneficiaries' spouses and children under 21.

A NEW REPORTING STANDARD

Article 43 of Law no. 2018-727 of 10 August 2018 for trust-based government provides for the replacement of the existing declaration procedures by the employment return procedure (*Déclaration sociale nominative* - DSN), which enables declarants to file employee protection management information electronically in a single monthly return, and has been applicable in the private sector since 2017.

Decree no. 2018-1048 of 28 November 2018 required employers to switch to the DSN as from 1 January 2020, 1 January 2021 or 1 January 2022, depending on category.

By 2021, 23% of public sector employers contributing to the Scheme had switched to DSN reporting. The total amount collected *via* this system last year was €714 million (out of €1.96 billion).



ANNUITY PAYMENTS CONTINUE TO RISE

Annuity payments continued to rise in 2021. Nearly 346,000 beneficiaries received annuities (up 30%). By contrast, the Scheme's number of lump sum payments fell, with around 118,000 beneficiaries receiving lump sum payments in 2021 (-15%). This represents a return to the trend observed pre-2020. There was a 6% increase in the number of lump sum payments between 2019 and 2020, attributable to changes in the splitting mechanism, which led to a larger number of beneficiaries taking the direct lump sum exit route. The amounts paid out as lump sums also fell from €297 million in 2020 to €274 million in 2021 (-7.7%).

Annuity payment instructions scheduled in 2021 were equal to 42% of lump sum payments (€115 million vs. €274 million), a proportion that continues to grow every year.

The average annuity in 2021 was €376, 3% higher than in 2020 (€365)[6]. By definition, as contributions did not start until 2005, annuity recipients have only been able to contribute to the Scheme for a maximum of 16 years. Excluding split lump sum liquidations, the average lump sum payment in 2021 was €3,318, up 7.6% from December 2020 (€3,084).[7]

6. At constant scope.

7. At constant scope.

Following discussions on 16 December 2021, the board of directors decided to change the actuarial rates for converting annuities into lump sums, based on the discounting rate for commitments, net of costs, applicable in 2021, and the life tables currently in force. Adjusting these parameters resulted in an approximately 10% increase in the amount of lump sum payments.

Find out more

Lump sum conversion factor

TYPICAL BENEFITS PAYMENT SIMULATIONS[8]

LUMP SUM PAYMENT		**SPLIT LUMP SUM** PAYMENT	**ANNUITY** PAYMENT	
Martine, an administrative assistant, retires in 2021 aged 62 ans.	Jean, a hospital orderly, retires in 2019 aged 60.	Patricia, an administrative assistant, retires in 2021 aged 62.	Bruno, an attaché, retires in 2021 aged 62.	Isabelle, an attachée, retires in 2021 aged 64.
She has **4,557 points** in her individual RAFP account **(< 4,600 points).**	On his RAFP benefit's effective date[9], he has **4,658 points** in his individual RAFP account **(between 4,600 and 5,124 points).**	She has **4,859 points** in her individual RAFP account **(between 4,600 and 5,124 points).**	He has **7,246 points** in his individual RAFP account **(> 5,125 points).**	She has **7,787 points** in her individual RAFP account **(> 5,125 points).**
4,557 x 0.04675[10] x 24.62[11] x 1.00[12]	4,658 x 0.04675[10] x 24.62[11] x 1.00[12]	4,859 x 0.04675[10] x 1.00[12] ÷ 12 x 15	7,246 x 0.04675[10] x 1.00[12]	7,787 x 0.04675[10] x 1.08[12]
€5,245.04 gross	€5,361.29 gross	€283.95 gross	€338.75 gross	€393.17 gross
MARTINE WILL RECEIVE A GROSS **LUMP SUM** OF **€5,245.04.**	*Having retired 15 months before the effective date of his RAFP benefit, Jean is not concerned by the lump sum splitting mechanism.* JEAN WILL THEREFORE RECEIVE A GROSS **LUMP SUM** OF **€5,361.29**.	PATRICIA WILL RECEIVE A **FRACTION OF HER LUMP SUM** EQUAL TO 15 MONTHS OF ANNUITY, I.E. **€283.95** GROSS. *She will receive the rest of her lump sum at the end of these 15 months, after the inclusion of any points earned during her final year of contribution, provided that her final number of points is still less than 5,125. If she has 5,125 points or more, her benefit will be paid as an annuity.*	BRUNO WILL RECEIVE A GROSS **ANNUITY** OF **€338.75** PER YEAR, I.E. **€28.23** PER MONTH. *This amount will be revalued each year in line with the service value of a point.*	ISABELLE WILL RECEIVE A GROSS **ANNUITY** OF **€393.17** PER YEAR, OR **€32.76** GROSS PER MONTH. *This amount will be revalued each year in line with the service value of a point.*

Find out more

Payment simulator

8. Illustrative examples: not contractually binding and given for indicative purposes only.

9. i.e. when he reaches the age of 62.

10. Service value of a point in 2021.

11. Lump sum conversion factor corresponding to life expectancy at the age when the pension is paid.

12. Premium factor: after age 62, the higher the retirement age, the greater the factor.

INITIATIVES FOR EMPLOYERS AND BENEFICIARIES AND INFORMATION ABOUT THE SCHEME

ERAFP's communications strategy is aimed at enhancing the Scheme's effectiveness by providing all stakeholders (beneficiaries, employers and institutions) with the information required to participate fully at the appropriate level in its activities. It also aims to show the relevance of and promote ERAFP's SRI approach, since social responsibility only comes into its own when it is shared.

ERAFP's communications strategy has two focuses:

- Institutional communication, mainly with public sector bodies, led by ERAFP itself;
- Operational communication to inform employers and beneficiaries of their rights and obligations, which is the responsibility of the administrative manager, CDC.

More detailed information for public sector employers

In its early years, the Scheme essentially assisted public sector employers with the practical aspects of fulfilling their responsibilities. Now, it aims to form a closer understanding of their needs and enhance their awareness of the Scheme's specific capitalisation and long-term socially responsible investment features.

Since 2011, ERAFP has held quarterly meetings in France's various regions to inform employers about additional pensions. These "public employer meetings" are a good opportunity to share ideas and experience face to face with the Scheme's main contacts, enabling ERAFP and its administrative manager to take on board their needs in terms of information and systems, particularly regarding:

- day-to-day administration procedures for individual employee records;
- informing contributors about their rights;
- regulatory developments, especially as regards the new 'split lump sum' method for paying out Scheme benefits.

After putting these meetings on hold during the health crisis, ERAFP started them up again in the second half of 2021, meeting public sector employers in the Normandy region on 22 October in Caen.

Caisse des dépôts also held a number of training and information sessions for employers in 2021.

Two types of sessions were held:

- training sessions on pension procedures and systems for employees dealing with pensions in local and regional authorities and hospitals;
- information sessions for decision-makers in local and regional authorities and hospitals.

ERAFP regularly presents its tutorial videos – particularly appreciated by meeting participants for their educational value – at these sessions, which can be organised as virtual classes, with Caisse des dépôts having met some 97 local authorities this way in 2021. Lastly, employers have access to the "Pep's" platform, through which they clocked up more than 311,000 account viewings over the year[13].

13. The number of Pep's account viewings rose sharply from 2020 (+175%). This is due to the inclusion of sub-section viewing data, which was not counted in 2020.

Responding better to the needs of active contributors is a Scheme priority

The RAFP website is a vital tool for communicating with beneficiaries and an important complement to information provided by the employer[14].

After five years of existence, the Scheme's website has been completely redesigned and its new version, incorporating new sections such as a specific area for retired beneficiaries, went live in October 2021.

The different sections have been reorganised and the user experience has been streamlined. As a result, the new interface offers more detailed and accurate information about the Scheme to beneficiaries, including the ability to set up and view their personal pension rights account through simplified access to the "Ma retraite publique" platform developed by Caisse des dépôts.

Contact forms also offer a paperless means of communicating with the Scheme.

The payment simulator – a long-time favourite with the Scheme's beneficiaries – can be accessed *via* the 'Active contributor, future retiree' section. The various practical information sheets have been moved to their respective thematic sections and also remain available in the "Communication tools" and "Publications" spaces.

Lastly, rounding out the tools made available to its beneficiaries and public employers, the site contains two series of six videos, one for each category, describing the Scheme's workings and answering the most commonly posed questions about it.

INFORMING RETIRED BENEFICIARIES

Nearly 111,000 telephone calls from retired beneficiaries were handled in 2021 (91.1% of calls received), which represents an increase of 11.9% from the 99,000 calls handled in 2020. With the Caisse des dépôts call centre closed during the first lockdown in 2020, the number of telephone calls from retired beneficiaries fell by 21% from 2019. In addition, some 26,650 items of correspondence (letters and e-mails) were processed in 2021, up 23.8% on the 21,530 items processed in 2020.

The administrative manager also continuously measures user satisfaction with its information services in order to improve the quality of its responses and case monitoring.

INFORMING ACTIVE CONTRIBUTORS

In compliance with the rights of active contributors to information, mandatory schemes as a whole sent out 465,872 documents relating to RAFP (individual statements and general indicative estimates). Note that since 2011 RAFP has been responsible for providing beneficiaries with information if the primary scheme is unable to produce the required documents[15]. Accordingly, RAFP sent out 17,877 of the 465,872 documents directly (including 11,181 individual statements and 6,696 general indicative estimates). It also sent its beneficiaries 492,171 e-mails for paperless consultation, comprising 198,601 individual statements and 293,570 general indicative estimates.

In addition to the information sent out, active contributors can go to the ERAFP website for permanent access to details of their RAFP pension through their individual retirement account (CIR).

As at 31 December 2021, the Scheme was managing 4,485,024 CIRs, of which 470,434 were consulted over the year (compared with 492,034 in 2020).

Furthermore, in 2021 Caisse des dépôts handled more than 28,900 telephone calls from active contributors under their right to information (94.1% of calls received), a 25% increase from the 23,100 calls handled in 2020[16] but below the 2019 level (33,400). This 13% decrease in the number of calls from active contributors between 2019 and 2021 is partly attributable to the impact on activity of the introduction of the lump sum splitting mechanism in May 2019. 1,496 letters and e-mails were also processed.

14. Results of BVA's 2018 survey on Scheme awareness and image.

15. Such as in the case of invalid affiliation agreements, known career contributions below the requisite minimum amount, ongoing re-employment procedures or employees exiting manager status, as defined by the Union Retraite GIP (retirement information public interest group).

16. In 2021, the number of calls from active contributors handled by Caisse des dépôts under their right to information fell by 30% compared to 2020. This decrease was due to the closure of the Caisse des dépôts call centre during the first lockdown.

After five years of existence, the RAFP website has been completely redesigned and now allows beneficiaries to obtain more detailed and accurate information about the Scheme.

Communication to the public

VIA THE PRESS

ERAFP's investments and strategy account for most of its citings in the press. Its communiqués on the award of mandates and its socially responsible engagement also continue to be widely reported. ERAFP's public profile is rising, particularly in the socially responsible investment sphere, where the institution is seen as a major player in France.

In 2021, a wealth of press and online articles referred to RAFP and ERAFP, mainly in connection with energy transition commitments (publication of ERAFP's roadmap to achieve carbon neutrality by 2050) and investment mandates (launch and award of calls for tender).

VIA SOCIAL MEDIA

ERAFP is present on three social media platforms: Twitter (for eight years now), LinkedIn and YouTube.

These three accounts, managed by ERAFP's communications department, are real channels of communication that help strengthen the Scheme's identity, raise its visibility and highlight its initiatives, particularly in areas such as the energy transition.

ERAFP uses these platforms to inform audiences already familiar with ERAFP/RAFP of its actions, commitments and news. But more importantly, they enable it to reach out more easily and on a much wider scale to those who know little or nothing about the Scheme.

VIA THE WEBSITE: A CENTRAL COMMUNICATION TOOL FOR THE SCHEME

Site traffic remained relatively steady in 2021, with around 55,000 visits per month (compared with 60,000 in 2020). The payment simulator was once again the most visited page, while the calculator user guide, the premium and conversion factors and the practical information sheets, in particular the one relating to the time savings account, were the items that internet users downloaded most.

A presentation of how ERAFP reports to active contributors on its ESG and climate approach is given in the sub-section of its sustainability report entitled "How the company informs Scheme members of ESG target-related criteria".

ERAFP'S
2021 FINANCIAL STATEMENTS

The Scheme's financial statements illustrate both its steady expansion and its financial strength.

ERAFP has a specific chart of accounts that reflects the comprehensive provisioning of its commitments and the characteristics of its financial investments. It requires, *inter alia:*

- the recognition of assets at their historical value, less any amortisation and impairment; and
- a very conservatively set discounting rate for the Scheme's commitments. The resulting rate for 2021 was 0.8% (net of costs).

The board of directors voted on the 2021 financial statements at its meeting of 14 April 2022. On said date, the statutory auditors certified without reservation that the annual financial statements gave a true and fair view of ERAFP's assets, liabilities, financial position and the results of its operations at the end of the year under review.

A solid balance sheet

In 2021, total assets came to €33.2 billion, up by 8.4% from the previous year. On the liabilities side, technical reserves, which reflect the present value of future commitments corresponding to rights being accumulated or paid – discounted at the very conservative rate of 0.8% – came to €29.7 billion (up 11% from 2020). On the assets side, investments totalled €32.8 billion (up 7.9% year-on-year).

A long-term impairment provision of €5.8 million was set aside for financial assets deemed subject to a permanent unrealised loss, while, pursuant to the principle of prudence, the overall unrealised gain of €8.9 billion at 31 December 2021 was not recognised. The market value of the Scheme's assets, which totalled €41.9 billion at year-end, was equivalent to 135.3% of the value of its commitments. On the accounting front, the commitments coverage ratio came to 111.9%, resulting in the recognition of non-technical reserves of €3.5 billion.

As for the other asset items, cash and cash equivalents amounted to €242 million, while receivables from contributors and beneficiaries totalled €96 million, reflecting accrued income in respect of contributions for 2021 and previous years not paid at the end of the financial year but due for subsequent collection (€19.5 million), as well as overpayments to beneficiaries (€76.5 million), mainly in respect of beneficiaries switched from lump sum to annuity payments.

On the liabilities side, given that the Scheme was only recently established, the largest item (€26.6 billion) is the reserve for rights in the course of accumulation.

The shortening of the preparation period for the financial statements has led to a change in the method used to calculate the Scheme's commitments. In previous years, they were estimated on the basis of the individual data available at the end of March following the annual employer declaration collection period. Since 2019, individual employers' declarations for the financial year are no longer taken into account. The reserve for the Scheme is calculated on the basis of contributions received.

The reserve for rights being paid increases in line with the number of annuity payments; it represented €3.1 billion at the end of the year, up 31.2% from 2020.

A financial coverage ratio of 111.9% at 31 December.

BALANCE SHEET OVERVIEW (IN € MILLIONS)

Source — ERAFP

ASSETS (net)

	2020	2021	CHANGE
Financial investments	30,374	32,782	7.9%
Receivables	97	185	90.7%
Cash and cash equivalents	157	242	54.1%
TOTAL	**30,629**	**33,209**	**8.4%**

LIABILITIES (net)

	2020	2021	CHANGE
Technical reserves	26,737	29,669	11.0%
Non-technical reserves	3,886	3,533	-9.1%
Payables	5	6	20%
TOTAL	**30,629**	**33,209**	**8.4%**

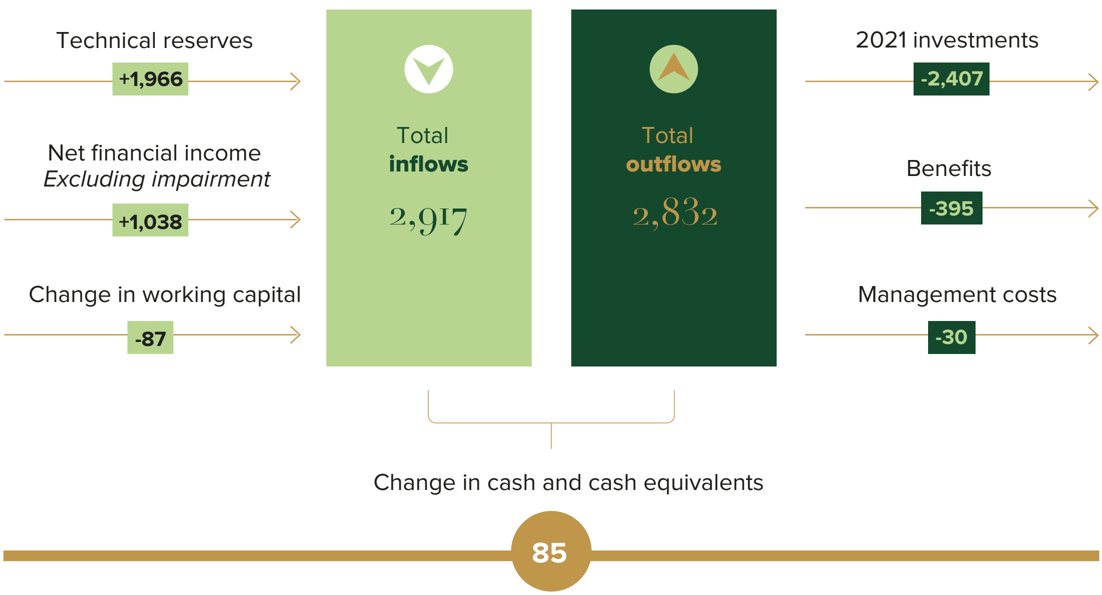
€395 million in benefits paid in 2021

€2.4 billion in funds invested in 2021

As regards financial flows, contributions and financial income for the year came to €3.00 billion. Of these inflows, €2.4 billion was invested[17], and €395 million was used to pay benefits[18]. There was consequently a net increase of €85 million in cash and cash equivalents.

CASH FLOW OVERVIEW (IN € MILLIONS)

Source — ERAFP



17. According to the accounting approach.

18. In 2021, benefits recognised in the income statement, representing payments actually made, came to €395 million while benefits calculated, or 'payment instructions issued', came to €389 million. The difference corresponds to the amount of annuities in pre-allocation suspense accounts, which are recognised as a Scheme asset.

2021 income statement

In 2021, technical income, mainly comprising contributions to the Scheme, totalled €1.97 billion, up 2.2% from 2020. There was a €2.9 billion increase in technical reserves (excluding non-technical reserves). This change is mainly due to the decrease in the discount rate in 2021[19] (+€0.7 billion), technical flows (+€1.5 billion) and the revaluation of the service value of a point (+€0.5 billion). Net financial income came to €1.04 billion, up 23.6% compared with 2020. There was a technical loss of €353 million, reflecting a €29.5 million increase[20], (+1.5%) in benefits and operating expenses. Pursuant to Decree no. 2010-1742 of 30 December 2010, the accounting result was brought to zero through a reversal of the provision for non-technical reserves, the amount of which consequently decreased from €3.9 billion at the end of 2020 to €3.5 billion.

INCOME STATEMENT OVERVIEW (IN € MILLIONS)

Source — ERAFP

	2020	2021
Technical income	1,925	1,966
Net financial income	839	1,037
Change in Scheme reserves	-338	-2,931
Benefits	-390	-395
Operating expenses	-32	-30
Non-recurring income	6	0
Income before allocation to non-technical reserves	2,009	-353
Change in non-technical reserves	-2,009	+353
TOTAL	**0**	**0**

The cover letter of the statutory auditors' report appears in the appendix to this report.

In 2021, technical income, mainly comprising contributions to the Scheme, totalled €1.97 billion.

19. The discount rate net of costs decreased from 0.9% in 2020 to 0.8% in 2021.

20. See page 37 of the report.

Management costs in 2021

A scheme managed by a public administrative institution under the supervision of the State.

Administrative management provided by Caisse des dépôts et consignations, under the authority and control of the board of directors.

Management of financial assets partially delegated to investment management firms.

Direct management by ERAFP of government bonds, government-backed securities and investment funds.

Management costs of €29.5 million in 2021.

Controlled management costs

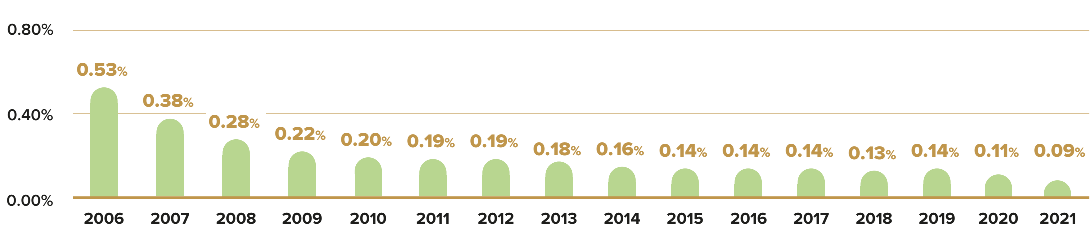
The operating budget for the Scheme and ERAFP is financed directly from amounts deducted from contributions, and is approved annually by the board of directors.

In 2021, the Scheme's management costs totalled €29.5 million, the equivalent of 0.09% of its net assets or 1.50% of contributions collected in 2021.

Management costs of €29.5 million in 2021

SCHEME MANAGEMENT COSTS SINCE 2005 AS A PERCENTAGE OF NET ASSETS (AT AMORTISED COST)

Source — ERAFP

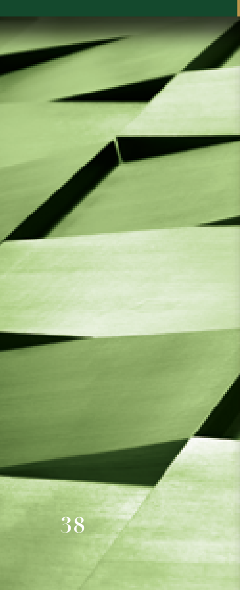


SCHEME

STRATEGY AND

PERFORMANCE

PART 2



A LONG-TERM INVESTOR

ERAFP is a long-term investor managing a still expanding scheme that must constantly cover its commitments to active contributors. As such, it has adopted an approach based on two principles:

- a particularly conservative approach for setting the Scheme's technical parameters;
- a diversified asset allocation designed to ensure its long-term equilibrium.

TECHNICAL STEERING MECHANISMS

GUIDELINES FOR MANAGING TECHNICAL PARAMETERS

RAFP is subject to strict prudential regulations stipulating that:

- the Scheme's commitments to its beneficiaries must always be fully covered by its assets;
- the estimated present value of these commitments must be calculated using a conservative discount rate (i.e. consistent with a conservatively estimated return on the Scheme's assets).

The board of directors is responsible for ensuring this financial equilibrium.

Conscious of its regulatory and prudential responsibilities, the board of directors has adopted written guidelines for managing the Scheme's technical parameters with a view to maintaining the purchasing power of beneficiaries' vested pension rights over the long term.

Ever since the Scheme was formed, the board of directors has carefully monitored changes in the following parameters:

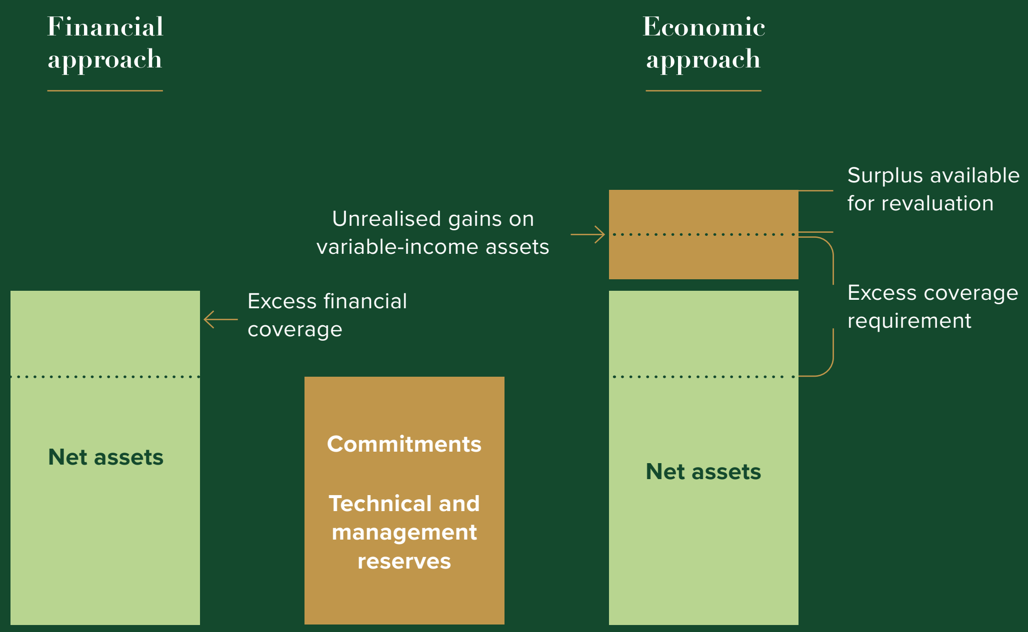
- the purchase and service values of points;
- the coverage ratio of the Scheme's commitments;
- the discount rate applied to reserves;
- the technical interest rate, or "premium rate".

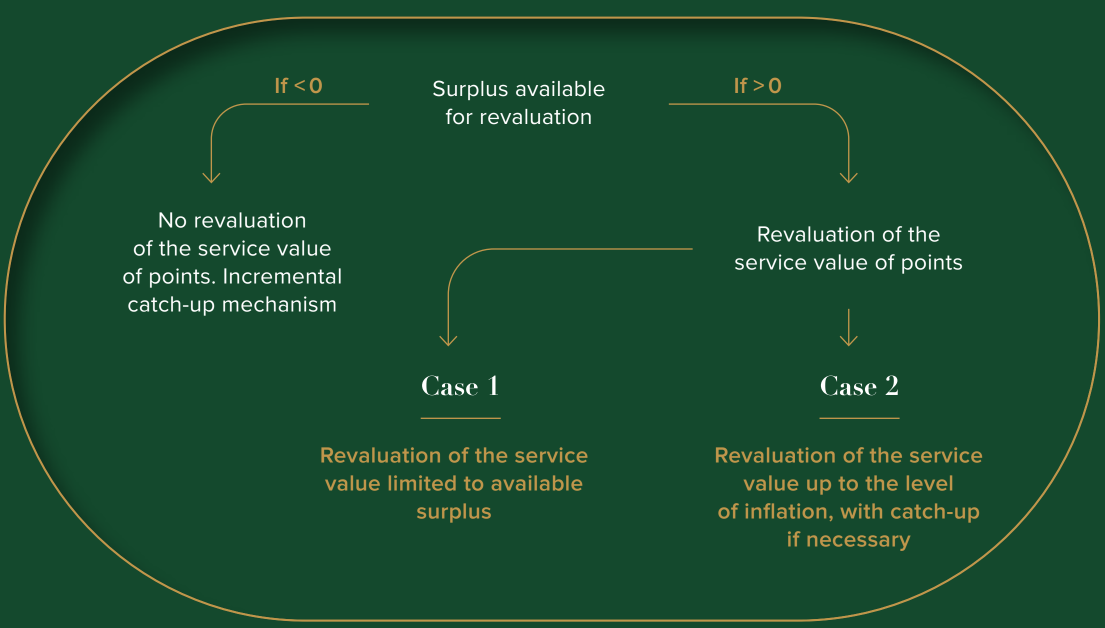
The guidelines recognise the existence of the link between the Scheme's ability to increase the value of vested rights and its assets, and also set out the conditions in which the premium rate may be revised.

An economic coverage ratio after revaluation of

135.3%

at 31 december.


Financial approach
Economic approach
Surplus available for revaluation
Unrealised gains on variable-income assets
Excess financial coverage
Excess coverage requirement
Net assets
Commitments
Technical and management reserves
Net assets


If < 0
Surplus available for revaluation
If > 0
No revaluation of the service value of points. Incremental catch-up mechanism
Revaluation of the service value of points
Case 1
Revaluation of the service value limited to available surplus
Case 2
Revaluation of the service value up to the level of inflation, with catch-up if necessary

Comfortable coverage of the Scheme's commitments by its assets

The obligation to cover the Scheme's commitments at all times entails careful monitoring of its financial coverage ratio. At the end of 2021, this ratio stood at approximately 111.9%. Mindful of its regulatory obligations, the Scheme has the necessary reserves and provides satisfactory coverage of its commitments. Nonetheless, the continuing very low level of bond yields calls for a highly prudent approach to setting these parameters.

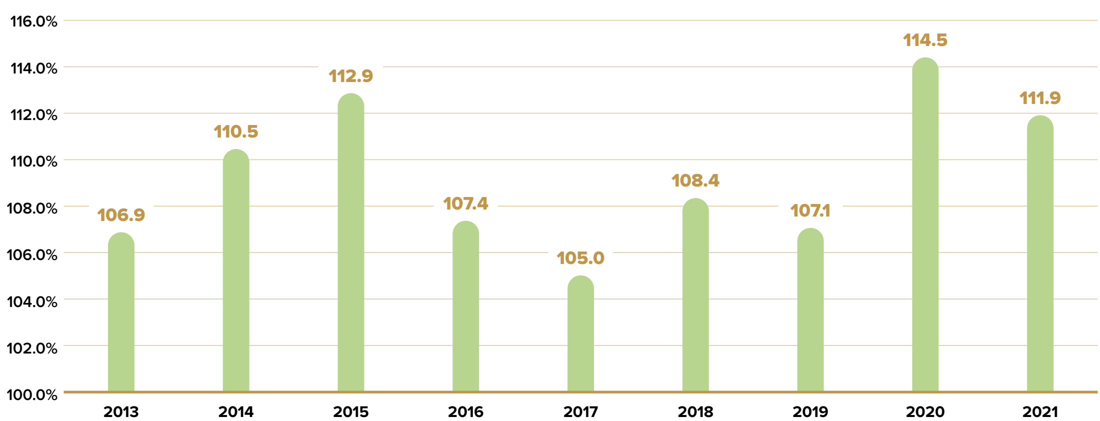
To round out this first approach, ERAFP has sought to better define its capacity to increase the value of members' rights over the long-term horizon in which it operates. Accordingly, it has defined an 'economic' coverage ratio, which takes into account the latent value of the Scheme's assets[21], as well as the risks for which a margin of prudence should be recognised. This margin is defined as the "excess economic coverage requirement".

If this requirement is not met, the service value of a point may not be increased, regardless of the financial coverage ratio. At the end of 2021, the excess economic coverage requirement stood at 17.9%.

At 31 December 2021, the Scheme's economic coverage ratio after revaluation was 135.3%.

FINANCIAL COVERAGE RATIO SINCE IMPLEMENTATION OF THE GUIDELINES (AS A %)

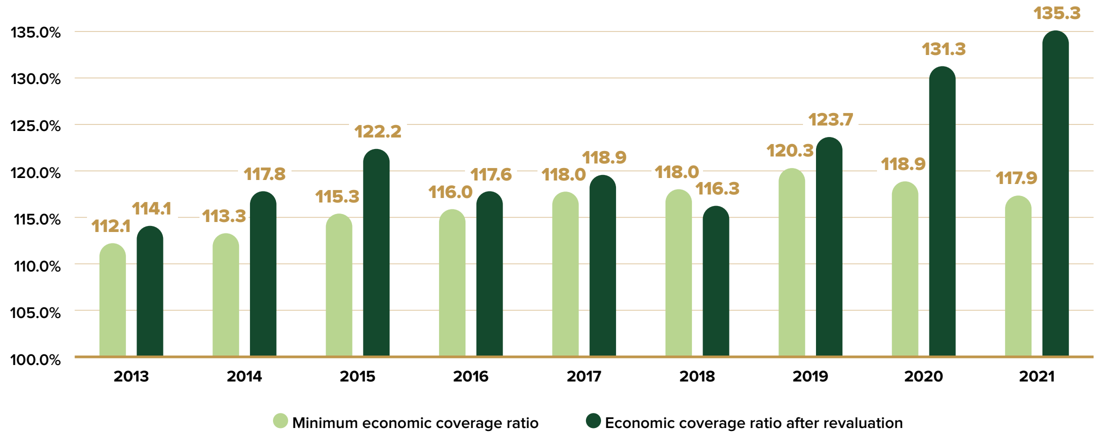
Source — ERAFP



21. The economic coverage ratio represents the relationship between, on the one hand, bonds valued at amortised cost and all other assets at market value and, on the other hand, the technical and investment management reserves.

MINIMUM ECONOMIC COVERAGE RATIO[22] AND ECONOMIC COVERAGE RATIO AFTER REVALUATION SINCE IMPLEMENTATION OF THE GUIDELINES[23] (AS A %)

Source — ERAFP



Purchase and service values of points

The board of directors sets these parameters each year. Since adopting the management guidelines, it has taken into account the excess economic coverage requirement.

The mechanism set out in the guidelines links any revaluation of points to the economic coverage ratio. If the points revaluation is lower than the inflation rate, particularly if the coverage ratio is inadequate, a mechanism is implemented in subsequent years to allow increases in the purchase and service values of points to catch up with inflation.

At the end of 2021, the board of directors increased both the service value and the purchase value of a point by 1.9% for 2022.

POINT PURCHASE AND SERVICE VALUES SINCE 2015

Source — ERAFP

YEAR	2015	2016	2017	2018	2019	2020	2021	2022
Purchase value (in €)	1.1452	1.1967	1.2003	1.2123	1.2317	1.2452	1.2502	1.2740
Change	+4.5%	+4.5%	+0.3%	+1%	+1.6%	+1.1%	+0.4%	+1.9%
Service value (in €)	0.04465	0.04474	0.04487	0.04532	0.04605	0.04656	0.04675	0.04764
Change	0%	+0.2%	+0.3%	+1%	+1.6%	+1.1%	+0.4%	+1.9%

22. Forecast ratio at year-end, estimated using snapshot market data at end-November of the year in question, in accordance with the Scheme's technical management guidelines.

23. Ratio at year-end, calculated using snapshot market data at end-December of the year in question, in accordance with the Scheme's technical management guidelines.

Reserve discount rate

The discount rate applied to the Scheme's reserves is set at a very conservative level, particularly compared with the practices of other European pension funds. It takes account of the decline in bond yields seen in recent years.

Certain parameters of the discount rate formula were updated in 2020, in particular the equity and real estate yields, to give the Scheme full capacity to exploit the leeway offered by changes to its investment regulatory framework in 2019, which enable it to further diversify its allocation, and to better align the parameters with current economic and financial realities. These adjustments were based on observed levels of return on these two asset classes in recent years.

The discount rate net of costs used to value the technical reserves at 31 December 2021 was set at 0.8%, 10 basis points lower than the year before.

The regulatory minimum level of management costs is 0.20%, in accordance with the order published on 26 November 2018. This minimum level, which is higher than the Scheme's actual costs[24], is used by way of prudence in the discount rate formula. The discount rate before costs was thus 1.0%.

Technical interest rate or "premium rate"

On the Scheme's inception, the initial annuity was calculated on the basis of a technical interest rate (premium rate) net of inflation set at 1.34% reflecting a return on benchmark assets of 3.34%. The real return of 1.34% was determined based on a long-term inflation rate of 2%, corresponding to the ECB's maximum target rate.

As these parameters fell out of sync with prevailing economic and financial conditions, the Scheme's premium rate was revised to make it consistent with market rates, by increasing the purchase value in 2015 and 2016 and raising the pivotal age for applying the premium[25]. These changes reduced the premium rate to 0.65% (excluding costs).

A discount rate net of costs of 0.8% at 31 December.

24. The Scheme's management costs are presented on page 37.

25. The guidelines provide for an immediate revision of the Scheme's premium rate if, at the end of a financial year, the discount rate is lower than the premium rate.

ASSET ALLOCATION: GENERAL ORIENTATIONS AND INVESTMENTS DECISIONS

ERAFP, a long-term investor in the economy

- ERAFP's financial commitments have a duration of around 20 years. As a result, RAFP naturally has very long-term resources. Because it is still only at the beginning of its expansion phase, the additional pension scheme will also generate a net inflow of around €2 billion a year over the next few years.
- This high level of long-term liquidity is a strategic plus when it comes to financing long-term investment projects such as real estate, private equity and infrastructure.

REGULATION OF THE SCHEME'S INVESTMENTS

ERAFP's investment framework is defined by the Order of 26 November 2004 implementing Decree no. 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme. Initially focused on bonds (at least 75% of its investments at inception), this framework has been reformed several times – most recently in 2019 – to make more room for asset diversification. In line with the Scheme's long-term objectives, these changes have enhanced its ability to ensure that its portfolio is balanced over time and to respond to a changing economic environment.

Since 9 August 2019, RAFP has been subject to the following regulatory requirements:

- 45% (maximum) invested in equities and unlisted equity funds, of which no more than 5% in funds;
- 40% (minimum) invested in fixed-income assets, of which no more than 3% in loan securitisation funds;
- 15% (maximum) invested in real estate assets.

The investment framework has been recast to make more room for asset diversification.

Gradual shift in asset allocation towards equities, real estate, private equity and infrastructure

STRATEGIC ALLOCATION FOR 2021

In 2021, the board of directors sought to continue the gradual rebalancing of ERAFP's asset allocation, in line with the guidelines approved in previous years and the changes made to the regulatory framework. Based on these considerations and in light of the actuarial work carried out, it decided to adopt general guidelines for the investment policy, which include:

- continuing and maintaining investments in variable-income assets, with a target range of between 35.7% and 36.7% of assets at end-2021 (+0.4 points);
- continuing to reduce the weighting in bonds given the enduring low interest rate environment (-1.3 points);
- continuing to invest in real estate for up to 13% to 14% of total assets, while maintaining a marked focus on housing (investments in residential real estate may account for more than half of new investments).

STRATEGIC ALLOCATION ADOPTED BY THE BOARD OF DIRECTORS' MEETING OF 17 DECEMBER 2020

Source — ERAFP

ASSET CLASS	MANDATE	THEORETICAL MINIMUM	MAXIMUM	
CASH				
	public sector bonds	44.8%		
	Euro-denominated corporate bonds			
BONDS	**International corporate bonds**	3.8%	4.2%	
	Convertible bonds	2.7%	2.9%	
	Total bonds	51.3%		
EQUITIES		30.5%	31.0%	
DIVERSIFICATION		3.0%	3.2%	36.7%
PRIVATE EQUITY AND INFRASTRUCTURE		2.2%	2.5%	
REAL ESTATE		13.0%	14.0%	

GLOBAL AGGREGATE PORTFOLIO BY ASSET CLASS AT 31 DECEMBER 2016, 31 DECEMBER 2020 AND 31 DECEMBER 2021
(AT AMORTISED COST)

Source — ERAFP

	2021	2020	2016
Public sector bonds	21.4%	24.8%	41.5%
Corporate bonds	25.3%	24.1%	18.6%
Convertible bonds	2.7%	2.7%	2.5%
Equities	31.1%	30.1%	25.3%
Multi-assets	2.8%	2.9%	2.5%
Private equity and infrastructure	2.3%	2.1%	0.3%
Real estate	12.6%	11.9%	7.5%
Cash	0.7%	0.8%	1.7%
Foreign exchange hedging	1.0%	0.6%	0.0%
Total	**100%**	**100%**	**100%**

IMPLEMENTATION OF STRATEGIC ALLOCATION

At 31 December 2021, the strategic allocation was broadly in line with the policy adopted by the board of directors in December 2020.

Variable-income assets accounted for 36.2% of the portfolio at year-end, in line with the range set by the board (between 35.7% and 36.7%). They broke down as follows:

- equities accounted for 31.1% of total assets, up by 1 point compared with the previous year, i.e. a notch above the upper end of the range set by the board at the end of 2020 (30.5%-31.0%);
- the share of private equity and infrastructure assets in the portfolio rose from 2.1% in 2020 to 2.3% in 2021, thus falling within the range set by the board (2.2%-2.5%);
- the share of diversification assets in the portfolio at the end of 2021 was a touch lower than the previous year (2.8% in 2021 vs. 2.9% in 2020), and slightly below the board's target for this asset class (3.0%-3.2%).

Bonds accounted for 49.4% of the portfolio at the end of 2021, down 2.2 points compared with the previous year (51.6%). While significant, the share of government bonds decreased last year (21.4% in 2021 compared with 24.8% in 2020) in a context of low interest rates. Corporate bonds, which rose from 24.1% to 25.3%, became predominant in the bond portfolio. The proportion of convertible bonds, meanwhile, remained unchanged at 2.7%.

Only one asset class – real estate – missed the target set by the board of directors for 2021. Its share of the portfolio stood at 12.6% at the end of 2021, below the bottom end of the range set by the board (13.0%-14.0%). However, it was well above its 2020 level of 11.9%.

INVESTMENT FLOWS BY ASSET CLASS

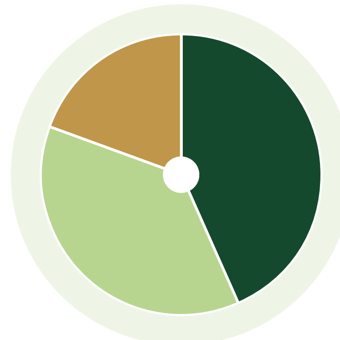
New investments of more than €2 billion were made across all asset classes in 2021.

This amount corresponds mainly to investments in variable-income assets: 41% of ERAFP's net annual inflows were invested in equities, 25% in real estate assets and 11% in private equity and infrastructure, representing nearly €1.6 billion in total. Bonds (including convertible bonds) accounted for 19% of investment inflows, i.e. €381.7 million. The low rates of interest paid on government bonds resulted in higher sales and redemptions than purchases (-26%). Most of the inflows from this segment were redirected towards the corporate bond mandates (41%) and, to a lesser extent, convertible bonds (3%). An additional €40 million was invested in the multi-asset mandate.

In 2021, ERAFP provided €14.2 billion of financing to the French economy, in the broad sense, representing almost 44% of its total assets at amortised cost.

INVESTMENTS IN FRANCE, THE EU AND GLOBALLY AT 31 DECEMBER 2021 (AT AMORTISED COST)

Source — ERAFP



44% – France

37% – Euro-zone ex France

19% – Rest of the world

INVESTMENT FLOWS BY ASSET CLASS IN 2021 (IN € MILLIONS)[26]

Source — ERAFP

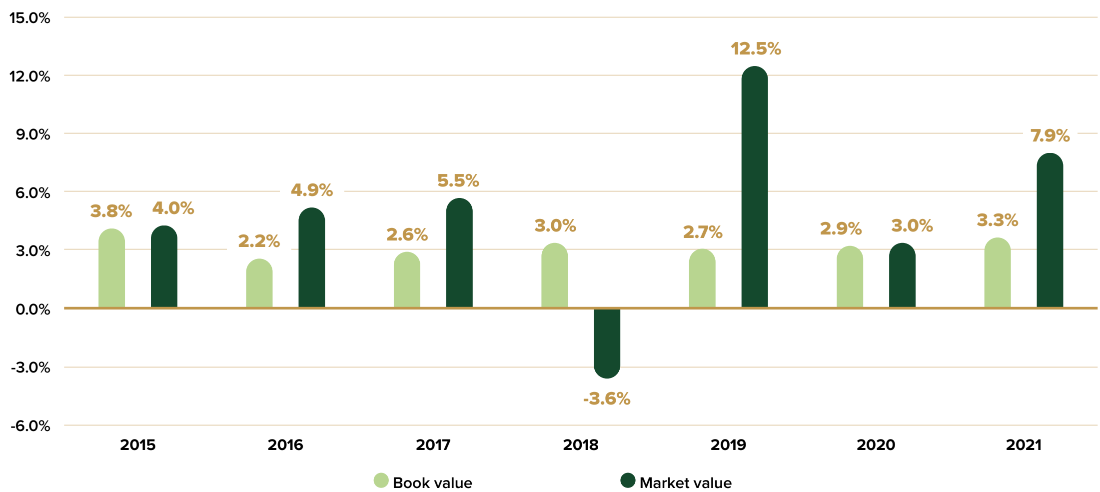
ASSETS	IN € MILLIONS	AS A PERCENTAGE
Cash	-101.7	-5%
Total bonds	381.7	19%
Government and similar bonds	-527.4	-26%
Corporate bonds	838.9	41%
Convertible bonds	70.2	3%
Equities	831.9	41%
Multi-assets	40.0	2%
Private equity and infrastructure	230.3	11%
Real estate	509.2	25%
Foreign exchange hedging	139.2	7%
Total	**2 030.7**	**100%**

26. For assets managed directly: purchases less sales and redemptions. For assets under delegated management: amounts entrusted to the managers less amounts withdrawn. For private equity, infrastructure and real estate: the amount shown is the amount of capital calls during the period.

OVERALL **FINANCIAL PERFORMANCE** OF INVESTMENTS

ANNUALISED INTERNAL RATES OF RETURN IN BOOK VALUE AND MARKET VALUE TERMS **SINCE 2015**

Source — ERAFP



➤ The Scheme has returned 5.6% since its creation

As a long-term investor, ERAFP seeks to invest its annual cash flows to maximise the returns on its portfolio while keeping risk at an acceptable level for the Scheme, which must at all times cover its liabilities with assets of at least an equivalent amount. The internal rate of return is the benchmark used to assess the appropriateness of portfolio allocation choices over time[27].

In 2021, the internal rate of return for the global aggregate portfolio in market value terms was 7.9%. Against a backdrop of the exit from the health crisis, this IRR level represented a strong rebound compared to that of the previous year (3.0%). The return in book value terms was 3.3%.

27. It differs from performance in that it takes into account the timing of investment and divestment flows or, in the case of delegated asset management, additions and withdrawals.

ANNUALISED INTERNAL RATE OF RETURN FOR EACH PORTFOLIO SEGMENT BETWEEN ITS YEAR OF CREATION AND 31 DECEMBER 2021 (IN BOOK VALUE AND MARKET VALUE TERMS)

Source — ERAFP

	BOOK VALUE	MARKET VALUE	SEGMENT CREATION DATE
Cash	0.1%	0.1%	2006
Government and similar bonds	3.8%	4.7%	2006
Euro-denominated corporate bonds	2.7%	3.4%	2009
International corporate bonds	2.3%	3.1%	2014
Convertible bonds	0.3%	4.0%	2012
Euro-zone and European equities	1.4%	7.6%	2007
International equities	7.0%	13.0%	2009
Multi-assets	0.0%	5.9%	2013
Private equity and infrastructure	2.1%	12.0%	2015
Immobilier	2.2%	4.1%	2012
Foreign exchange hedging	-2.5%	-5.7%	2018
Global aggregate portfolio	3.0%	5.6%	

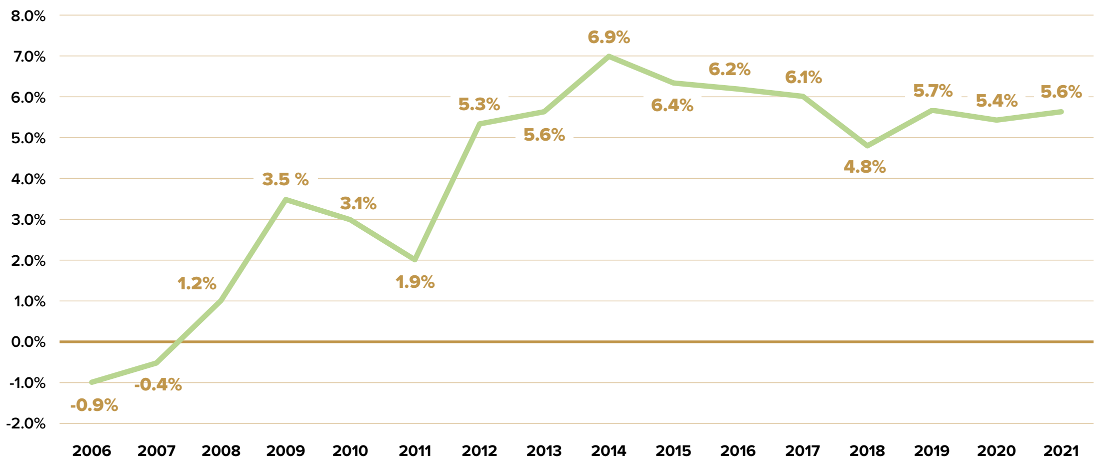
While annual performance is a useful monitoring indicator, for ERAFP, as a long-term investor in its expansion phase, it seems more appropriate to measure performance over a long period.

At 31 December 2021, the internal rate of return since ERAFP's creation stood at 5.6% in market value terms. The IRR on euro-denominated corporate bonds and government and similar bonds stood at 3.4% since the first investment and at 4.7% since 2006. These returns were initially driven by interest rates, which were still high when ERAFP made its first investments, and later by the appreciation of its holdings, which offset falling interest rates. For equities, depending on the region, the rates of return have ranged between 7.6% and 13.0% over the period since the first investment.

Driven by the good performance of unlisted assets in 2021, the IRR of this segment since the first investment almost doubled over the year, from 6.6% to 12.0%, due to valuation adjustments on assets that had been significantly impacted by the health crisis in 2020. However, since it was created more recently (2015) and accounts for only a small portion of in the portfolio, this segment's contribution to the IRR since 2006 remains marginal. The same applies to the IRRs of the multi-asset (5.9%) and real estate (4.1%) segments.

ANNUALISED INTERNAL RATE OF RETURN SINCE 2006 (IN MARKET VALUE TERMS)[28]

Source — ERAFP



The graph above shows not only the return at the end of 2021 but also that the level reached by the annualised IRR in market value terms has been stable since 2012.

ANNUALISED FIVE-YEAR INTERNAL RATE OF RETURN IN BOOK VALUE AND MARKET VALUE TERMS AT 31 DECEMBER 2021

Source — ERAFP

	BOOK VALUE	MARKET VALUE
Cash	-0.3%	-0.3%
Government and similar bonds	4.0%	1.7%
Euro-denominated corporate	2.5%	2.5%
International corporate bonds	2.7%	3.3%
Convertible bonds	0.4%	4.2%
Euro-zone and European equities	2.4%	8.4%
International equities	5.3%	13.8%
Multi-asset	0.1%	6.6%
Unlisted and other	2.1%	12.4%
Real estate	2.6%	4.4%
Foreign exchange hedging	-2.5%	-5.7%
Global aggregate portfolio	2.9%	5.0%

28. On 1 January of each year.

By comparing the IRR since 2006 with the five-year IRR for 2016 to 2021 (see table on page 28), we can see more clearly how the contribution of each segment's return to the portfolio's overall return has evolved over time. At 31 December 2021, the five-year IRR was 5.0% in market value terms. The return on equities over the period (8.4% for the euro-zone/European equity segment and 13.8% for the international equity segment) contributed significantly to this level of IRR. Government and similar bonds returned 1.8%, lower than the 4.7% recorded since the Scheme's inception. This is mainly due to the particularly low (and even negative) level of interest rates in recent years, which has limited the return on investments compared with that achieved in the early years of the Scheme's existence. Euro-denominated corporate bonds have also suffered from the interest rate environment, with a five-year IRR at 2.5% (versus 3.4% since the first investment). The IRR for the convertible bond segment, a more recent creation, came in at 3.3%, again lower than the level of 4.0% since inception.

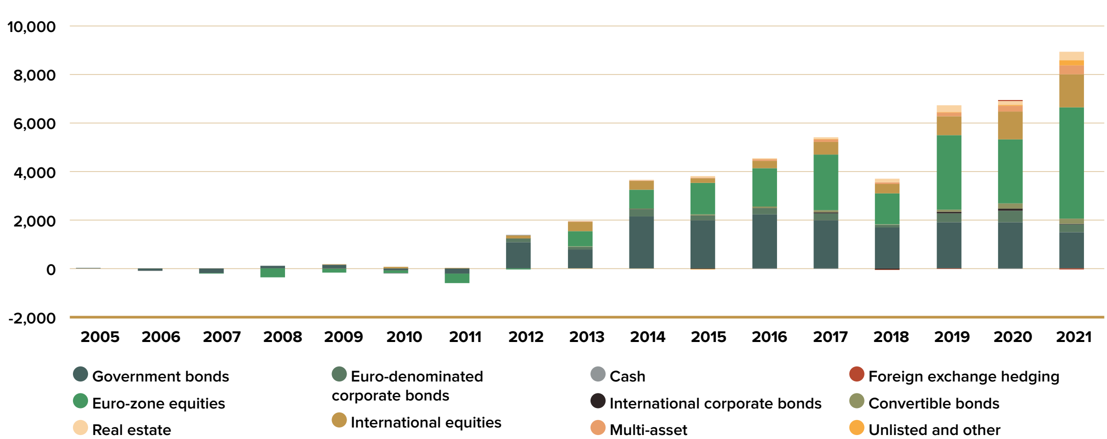
In summary, this analysis shows that historically the portfolio's IRR has been mainly attributable to the performance of fixed-income assets, before being boosted by diversification into variable-income segments.

Driven by a very favourable market environment linked to the economic recovery, the portfolio's unrealised gains increased significantly between 2020 and 2021, from nearly €7 billion to just over €8.9 billion, or 27.0% vs. 22.8% of its total assets at amortised cost. Cyclical reasons aside, the high level of the portfolio's unrealised gains must be considered in light of long-term changes in its composition.

The breakdown of unrealised gains since the Scheme's creation (see chart below) shows, as for the portfolio's IRR since 2006 and in line with the diversification of the Scheme's assets, that variable-income assets – in particular equities – have made an increasing contribution over time to these gains. While the fixed-income segment continues to account for a significant portion of the portfolio's unrealised gains, having grown significantly during the first ten years of the Scheme's existence, its contribution has generally stood still or waned since 2014. Within the fixed-income segment, while government bonds continue to account for the lion's share of the portfolio's unrealised gains, an ever-rising portion is attributable to corporate bonds (both European and international) and convertible bonds.

BREAKDOWN OF UNREALISED GAINS AND LOSSES ON ASSETS SINCE THE SCHEME'S CREATION

Source — ERAFP



ERAFP
KEY FIGURES*

FINANCIAL DATA

Balance sheet assets of

€32.8 billion

Estimated financial coverage ratio of

111.9%

Technical reserves of

€29.7 billion

Non-technical reserves of

€3.5 billion

Discount rate set at

0.8%**

* Valuation at end-2021.

** Discount rate net of management costs, set using a method that takes re-investment risk into account.

ECONOMIC DATA

Net assets at market value of

€41.9 billion

Economic coverage ratio after revaluation of

135.3%

Annualised internal rate of return on investments of

5.6%

since 1 January 2006

A SOCIALLY RESPONSIBLE INVESTOR

As well as being responsible for the Scheme's technical and financial management, ERAFP assumes the stewar-dship of the environmental, social and governance (ESG) components of its investments, and accordingly on its creation in 2006 adopted an SRI charter covering its entire portfolio.

Far from being fixed, ERAFP's SRI strategy has evolved over time, with the aim of constantly improving. This sub-section of the report describes the strategy's content and the changes it underwent 2021.

Moreover, as the policy's worth resides essentially in its actual implementation, it also sets out the key ESG performance indicators relating to ERAFP's investments.

While mention is made of them here as they are part of the Scheme's SRI policy, the more specific questions of ERAFP's consideration of climate-related issues and its engagement approach are presented separately below, on pages 76 to 79 and 80 to 85, respectively.

ERAFP's ESG approach

VISION AND VALUES

As a public institution established for the benefit of public servants employed by the State, regional and local authorities, hospitals and the judiciary, ERAFP's role is to serve the common good. As a pension scheme with a capitalisation-based business model, it acts over the long term to ensure equity and intergenerational solidarity.

And, as the Brundtland report pointed out, focus on the long term and future generations is the cornerstone of the sustainable development concept: 'Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'

ERAFP's very nature and the values it supports are fundamentally aligned with this concept, which is why its board of directors has placed socially responsible investment (SRI) squarely at the heart of its strategy. This is why ERAFP chose to adopt an SRI Charter back in 2006, when SRI had yet to gain traction in France[29], stating that *"investments based solely on the criterion of maximum financial return fail to account for their social, economic and environmental consequences"*.

As a public institution established for the benefit of public servants employed by the State, local and regional authorities, hospitals and the judiciary, ERAFP's role is to serve the public interest.

ERAFP has therefore played a pioneering role in the field of SRI. As well as being an early adopter, it has an authentic approach based on values set out in its Charter, which its board of directors has consistently promoted.

The values laid down in ERAFP's Charter provide answers to the challenges that we face as a society.

Environmental and climate change challenges – In its sixth report, published on 9 August 2021[30], the Intergovernmental Panel on Climate Change (IPCC) presents some particularly alarming estimates: the average temperature of the planet has risen by 1.1°C since the start of the industrial era; 'a level of warming that has not been observed for at least 2,000 years'. This means that, even under the most favourable assumptions, the global warming threshold of 1.5°C, beneath which the harmful effects of climate change can be better contained, could be reached as soon as 2030, i.e. ten years earlier than expected.

As an investor keenly aware of the urgency of this situation, ERAFP endeavours to encourage companies to pay attention to the environmental impact of their products and services, to control the risks associated with climate change, to adopt a 1.5°C strategy and to contribute to the energy transition. To this end, it engages at various stages of the investment decision-making process: from the pre-investment selection process (by applying specific analysis criteria) to post-investment dialogue with companies as part of a structured engagement approach.

Governance challenges – ERAFP considers it essential to assess a company's governance, because it sheds light on the entity's accountability to its stakeholders. ERAFP seeks to promote companies with governance that ensures a balance of power, effective control mechanisms, a responsible remuneration policy and gender equality. High quality governance enables companies to meet challenges such as the fight against corruption and money laundering, the respect and protection of customers' rights, and tax transparency and responsibility.

29. According to Novethic, in 2006 SRI assets in France amounted to €17 billion. A recent study by the French Asset Management Association (AFG) estimates that they had exceeded €1.861 trillion by the end of 2019 (up by 32% in a year). While the definitions and scope of analysis have evolved over the last ten-plus years, these figures provide an indication of the market's strong growth. Link to the study: https://www.afg.asso.fr/wp-content/uploads/2020/05/20200528-cp-stat-ir-2019.pdf

30. https://www.ipcc.ch/site/assets/uploads/2021/08/IPCC_WGI-AR6-Press-Release_fr.pdf

Social challenges – The very identity and composition of ERAFP's board of directors make the social dimension a fundamental one: it has eight seats allocated to representatives of active contributors, filled by the representative trade unions, eight allocated to representatives of employers and three to qualified persons. As a French public institution, ERAFP seeks to protect social benefits by promoting labour-management dialogue and the respect of union rights.

ERAFP is committed to upholding the rule of law and human rights through both its sovereign and its private investments.

In the context of the global health crisis experienced since the start of 2020, ERAFP expects companies to pay particular attention to respect for human rights and decent working conditions in their supply chains and at their subcontractors.

Similarly, the challenges that companies will have to take on for a successful energy transition involve major transformations in some business areas that will have an impact on employees and civil society. ERAFP expects companies to incorporate principles of fair transition into their transition strategies.

PROGRESS MADE IN 2021

In 2021, ERAFP made further progress in its strategy for taking climate-related issues into account: after committing in 2020 to achieving the target of net-zero greenhouse gas emissions for its investment portfolio by 2050, ERAFP proceeded to set interim targets for 2021 to 2025. It accordingly decided to focus on three key action areas in the coming years: reducing greenhouse gas emissions, engaging with companies and financing the energy transition. To that end, in late 2021 it recast the low-carbon index-tracking mandate for euro-zone equities entrusted to Amundi – which represented €2.7 billion in market value terms at 31 December – as a climate transition benchmark (CTB) mandate.

Another emerging subject on which ERAFP adopted a position in 2021 is biodiversity loss. ERAFP signed the Finance for Biodiversity Pledge to highlight jointly with peers that the biosphere, which is the foundation of resilience and human progress, is under increasing pressure. By signing this statement, it identified this issue for the first time as one of the main challenges facing humanity in the coming years.

Lastly, to promote existing socially responsible investment approaches, in 2021 ERAFP signed the Finance for Tomorrow declaration in favour of impact finance, which aims in particular to provide a better definition of impact investment.

After committing in 2020 to achieving the objective of net-zero greenhouse gas emissions for its investment portfolio by 2050, ERAFP proceeded to set interim targets for 2021 to 2025.

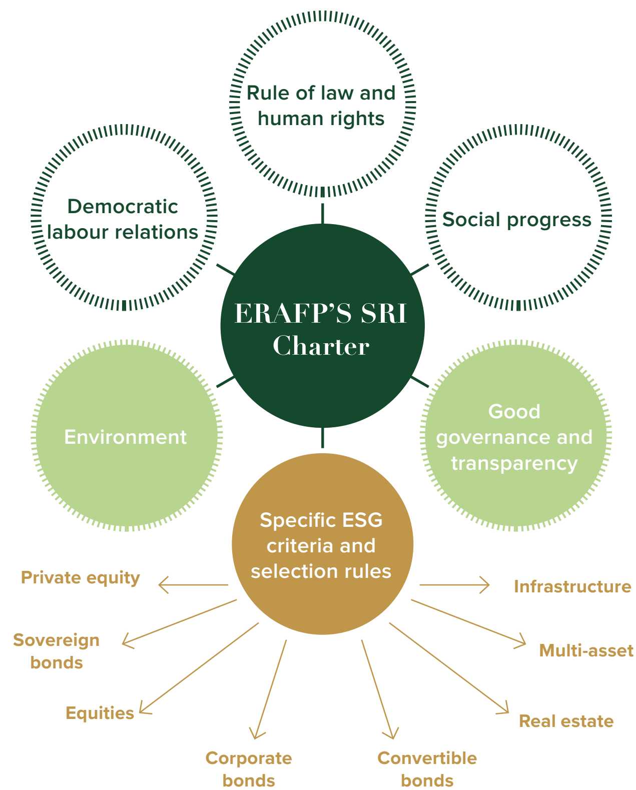
THE SCHEME'S SRI APPROACH

An original SRI approach

The Scheme's SRI approach is original in a number of respects:

- The board of directors oversees the SRI approach internally; while the board and management naturally rely on outside service providers such as consultants and rating agencies, on management's proposal the board itself laid down an approach that satisfies the demands and values of its members, and permanently monitors its application on the basis of the comprehensive and continuous information provided by regular meetings of its investment policy monitoring committee (CSPP).
- The policy's content is '100% SRI'. In other words the SRI Charter applies to all of the Scheme's investments and takes into account the specific features of each asset class.

AN SRI CHARTER BROKEN DOWN INTO EVALUATION CRITERIA FOR THE VARIOUS ASSET CLASSES



Find out more

ERAFP'S SRI Charter

An overarching SRI approach

- Not only does it concern all of the Scheme's investments but it also applies to all investment phases, from the first stage of asset allocation to the post-investment stage of monitoring the companies whose securities are included in the portfolio.
- Is based on a broad range of values applied across all investments, instead of on an array of theme-specific criteria.

For an investor of ERAFP's size that wishes to adopt a uniform approach for all of the asset classes in which it invests, the best in class approach seems the most appropriate, as it focuses on the links between the various considerations and issuers rather than tackling each in isolation..

The best in class principle is applied to the investment process by using quantitative rules to define the eligible investment universe. These rules are defined for each asset class with the aim of fostering improvements across all of them.

Generally speaking, this means:

- Not excluding individual business sectors, but promoting the issuers with the best ESG practices within each sector and, more generally, within groups of comparable issuers. However, given their particularly negative impact on health and the environment, respectively, in 2019 ERAFP exited the tobacco industry and sold its shares in companies whose thermal coal-related activities exceed 10% of revenues.
- Showcasing progress made.
- Monitoring and supporting issuers that have adopted a continuous improvement approach.

Page 77 of this report lists the collaborative initiatives in which ERAFP participates. They are also described in greater detail in the 'Membership and participation in collective initiatives' sub-section of ERAFP's 2021 sustainability report.

SRI GOVERNANCE AT ERAFP

The board of directors

The board of directors:

- sets the general orientation of the SRI policy;
- and ensures that it is effectively applied.

To enable it to be truly responsive, the board is kept permanently and fully informed, notably through regular meetings of its investment policy monitoring committee (CSPP).

ERAFP's management

ERAFP's management plays a number of roles:

- it drafts proposed changes to the SRI policy for submission to the board of directors;
- it directly implements the SRI guidelines in relation to internal bond management, which under the Scheme's current regulations covers sovereign and similar bonds;
- it ensures that the external asset managers apply the SRI policy, whether in terms of using the best in class principle for securities selection or following ERAFP's voting policy at general meetings of shareholders;
- it ensures that contracts entered into with SRI rating agencies are correctly performed;
- it reports to the board of directors and the CSPP on implementation of the SRI policy, and assists directors with the preparation of their work.

Non-financial rating agency

The non-financial rating agency – currently Moody's ESG Solutions – is responsible for analysing the asset portfolio and providing half-yearly reports on the bond and equity portfolios for submission to ERAFP.

It also assesses the SRI compliance of government and similar bonds managed directly by ERAFP.

Asset managers

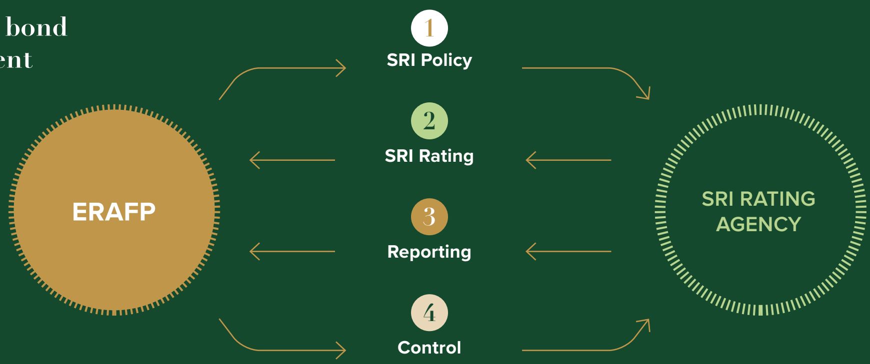
The asset managers monitor issuers' SRI ratings for as long as they are held in the portfolio. ERAFP holds a management committee meeting every six months with each of its delegated asset managers.

The topics discussed include SRI aspects of the respective mandates, particularly changes in issuers' SRI ratings. The ratings assigned by the asset managers to each issuer in the portfolio are compared to those assigned by Moody's ESG Solutions. In the event of a discrepancy, discussions are held with the manager to identify the root causes.

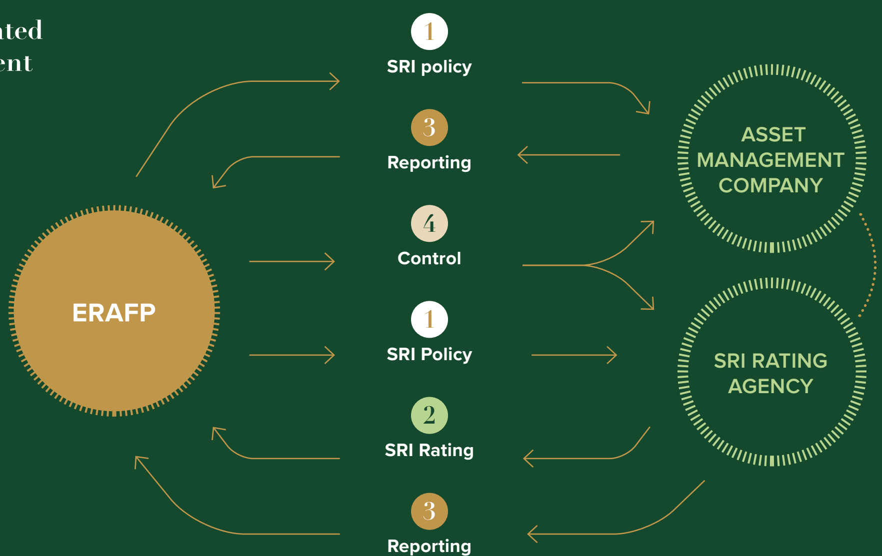
If an issuer's SRI rating is downgraded, ERAFP may consider asking the management company to take corrective action at the level of its investments.

ROLES OF THE VARIOUS ENTITIES AND CONTROL PROCEDURES

For direct bond management



For delegated management



1 SRI policy

Definition of the investment policy

- Settlement of any differences in interpretation
- Decisions on changes to the Charter and guidelines

2 SRI rating

- Pre-investment SRI data for the manager
- ········· Alerts

3 Reporting

- Half-yearly reporting
- Regular updates

4 Control

- Monitoring the application of SRI procedures, controls and any requests to adjust investments
- Review of annual reports (asset managers, agencies, committees, etc.)

GOVERNANCE OF CLIMATE ISSUES

ERAFP has implemented specific governance for climate-related risks and opportunities. While not fundamentally different from SRI governance, it does differ in the following areas:

- at governance level, the CSPP and the board define climate guidelines and carry out dedicated monitoring together;
- at management level, in addition to carrying out targeted checks on the asset managers' correct application of the climate approach, a steering committee composed of the chief executive officer, the deputy chief executive officer in charge of technical and financial management, managers of different asset classes and the SRI manager, monitors the implementation of the climate roadmap;
- at service provider level, S&P Global Trucost and Carbone 4 carry out a specific assessment of the portfolio's exposure to climate-related issues.

See ERAFP's 2021 sustainability report for an exhaustive presentation of the governance of climate-related issues.

SELECTION OF THE MAIN CRITERIA

ERAFP's SRI Charter, which was drawn up at the instigation of its board of directors, is based on French public service values. It is applied to all of the Scheme's investments and broken down into more than 18 evaluation criteria adapted to the specific features of each category of issuer. While each issuer's individual context systematically dictates the analysis of these criteria, the Scheme considers some to be key and therefore attributes more weight to them, regardless of the issuer's geographic location or activity. The most important criteria (in bold in the table below) must therefore always be assigned the same value.

All asset classes are subject to an ESG and climate analysis, except for foreign exchange hedging instruments, for which such an analysis has little relevance and which represented less than 1% of assets under management at end-2021.

BEST IN CLASS AND ENGAGEMENT

As mentioned above, ERAFP has selected a best in class approach to take into consideration the ESG criteria underlying its SRI Charter for all its investments. In practice, this principle translates into detailed rules that make it possible to determine, based on the scores that issuers obtain for ERAFP's SRI criteria, the issuers that can be considered as the best in their category.

For large listed companies, for example, the best in class principle is applied by performing two successive screenings.

If this SRI approach were limited to the application of quantitative rules established to define an eligible investment universe, it would preclude part of ERAFP's responsibility as well as an important lever available to it as shareholder or creditor.

This is because ERAFP intends to be an active investor and, to that end, maintain dialogue or engage with the companies that it invests in and with the authorities that define its investment framework. Accordingly, in 2012 ERAFP adopted shareholder engagement guidelines, which it updates yearly. They establish priority engagement themes for the year as well as the voting policy that ERAFP's delegated asset managers must apply at general meetings.

ERAFP's SRI strategy is summarised in the chart on page 62.

The charter's 5 values and 18 criterias

1

Rule of law and human rights

- **Non-discrimination and promotion of equal opportunities**
- Freedom of opinion and expression and other fundamental rights
- **Responsible supply chain management**

2

Social progress

- **Responsible career management and forward-looking job strategy**
- Fair sharing of added value
- Improvement of working conditions
- Impact and social added value of the product or service

3

Democratic labour relations

- **Respect for union rights and promotion of labour-management dialogue**
- Improvement of health and safety

4

Environment

- **Environmental strategy**
- Environmental impact of the product or service
- Control of environmental impacts
- **Control of risks associated with climate change and contribution to the energy transition**

5

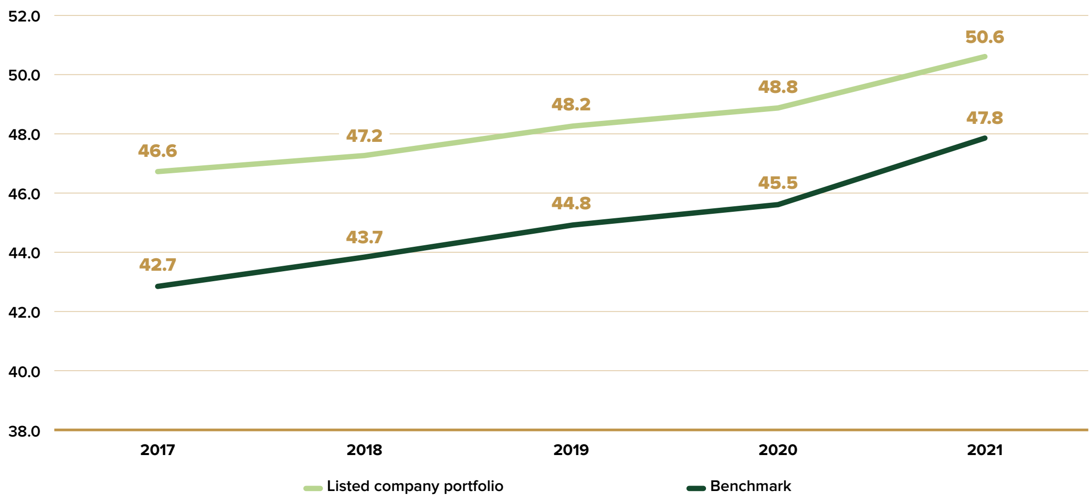
Good governance and transparency

- **Management/corporate governance**
- Protection of and respect for customer/consumer rights
- **Fight against corruption and money laundering**
- Responsible lobbying practices
- Tax transparency and accountability

	PRE-INVESTMENT	INVESTMENT	POST-INVESTMENT
Investment process	Set SRI requirements for each mandate Regulatory engagement “Non-targeted” collaborative engagement	Rules for selecting investments/ securities Targeted thematic investment	Bi-annual dialogue with asset managers Control of investment compliance Targeted shareholder engagement Voting at general meetings
Examples	Tendering procedure Institutional Investors Group on Climate Change (IIGCC) Policy Programme *Climate Action 100+*	SRI system: - SRI Charter - SRI benchmark criteria - Best in class rules - Decarbonisation Green bonds Thematic funds	Bi-annuel portfolio review *Ex post* control by Moody’s ESG Solutions Dialogue with European power producers on their carbon strategy *via* IIGCC - Climate Action 100+ Dedicated voting policy; support for shareholder resolutions, etc.

SRI RATING OF THE ERAFP LISTED COMPANY PORTFOLIO COMPARED WITH BENCHMARK SINCE 2017

Source — Moody's ESG Solutions



KEY ASPECTS OF ESG AND CLIMATE PERFORMANCE

The selectivity rate compared with the potential investment universe – i.e. the percentage of companies excluded under ERAFP's ESG methodology – is around 30%. In other words, nearly a third of the companies in which ERAFP could potentially invest are ruled out as a result of SRI screening. This very high rate reflects both the stringency and the effectiveness of the screening methodology.

As a result, the SRI rating of ERAFP's listed company portfolio[31] was 2.8 points higher than that of its benchmark index (see chart opposite; see also part 3 for a detailed analysis of the SRI profile of ERAFP's various asset classes). This is far from being a cyclical phenomenon: ERAFP has achieved this level of performance in relation to the benchmark every year since 2017[32].

The selectivity rate compared with the potential investment universe is around

30 %

31. Portfolio of equities, corporate bonds and convertible bonds.

32. For the purposes of this public report, the monitoring of the SRI rating of each portfolio segment begins in 2017, when a methodological change took place.

AN INVESTOR ACTIVELY TACKLING CLIMATE CHANGE

Ever since it was established, ERAFP has had a particular focus on combating climate change. This sub-section details the three strands of the strategy that it has gradually developed to deal more effectively with such issues:

- preliminary analysis, involving best in class screening prior to making an investment;
- post-investment analysis, using climate analysis tools to identify the issuers presenting the greatest climate-related risks or opportunities and thus to prioritise shareholder engagement actions to be taken by ERAFP or its asset managers;
- a concrete portfolio decarbonisation target, i.e. net-zero greenhouse gas emissions by 2050, with milestones every five years.

Preliminary analysis

The consequences of climate change are probably one of the risk factors most likely to have a long-term impact on the value of ERAFP's assets. That is why, in breaking down the SRI Charter into more detailed issuer evaluation rules, ERAFP has integrated criteria designed to better determine the level of investees' exposure to the various facets of climate risk and enhanced them over the years.

In particular, under the 'environment' value of ERAFP's SRI Charter, the 'Control of the risks associated with climate change and contribution to the energy transition' criterion makes it possible to assess the commitments that investees have made, the measures that they have adopted and the tangible results that they have achieved as regards containing and reducing the greenhouse gas emissions associated with their activity. The listed and unlisted companies, countries and other issuers that score most highly on this criterion will probably be the best placed to cope with the adjustments needed as a result of climate change measures, such as more stringent regulations, the introduction of a carbon price, customer and investor expectations and increased vigilance by civil society.

This criterion also makes it possible to assess the efforts made by investees to anticipate and adapt to the effects and consequences of climate change. Lastly, it also makes it possible to recognise the companies in sectors with significant energy transition issues that have laid down a strategy in line with the objectives of the Paris climate agreement, and to exclude companies deriving more than 10% of their revenue from thermal coal.

In order to estimate the extent to which issuers take into account the physical risks associated with climate change (increasing scarcity of natural resources, especially water, increased occurrence of extreme weather events, impacts on biodiversity, etc.) ERAFP also uses a 'Control of environmental impacts' criterion, making it possible to assess the commitments made by issuers regarding the protection of water, the preservation of biodiversity and the prevention of pollution risks.

The "Climate-related risks" sub-section of ERAFP's 2021 sustainability report contains a presentation of the main climate risks to which its portfolio is exposed.

Conversely, ERAFP's SRI environment value criterion relating to the 'Product or service's environmental impact' makes it possible to promote companies that offer innovative solutions to sustainable development challenges, particularly in the area of the energy and environmental transition.

Post-investment analysis

Complementing the *ex ante* view of the investment policy provided by the best in class approach and especially the SRI ratings, climate analysis tools provide an *ex post* view of the allocation choices made.

The search for a better understanding of a portfolio's degree of exposure to the transition risks associated with climate change has led ERAFP to acquire specific monitoring tools. In 2013, it was thus one of the first investors to quantify the greenhouse gas emissions caused by its investments, initially for listed equities, and to compare them with a standard market benchmark. Since then, ERAFP has taken a continuous improvement approach to its assessment of climate-related risks and opportunities, expanding the number of asset classes and indicators covered over the years.

Climate roadmap

In 2020, ERAFP's approach to integrating climate issues reached a decisive turning point: in joining the UN-convened Net-Zero Asset Owner Alliance[33], ERAFP for the first time set a concrete target for the decarbonisation of its portfolio, i.e. net-zero greenhouse gas emissions by 2050. For ERAFP, as for the other members of the Alliance, this target is broken down into a number of interim targets, with milestones to be reached every five years. The first leg, which is the same for all members of the Alliance, runs from the end of 2019 to the end of 2024. In October 2021, the board of directors formally adopted ERAFP's targets for this first stage.

CHOICE OF TARGETS

ERAFP set its targets in alignment with the 2025 Target Setting Protocol[34] developed jointly with the other members of the Alliance. During this first period, the protocol requires members to achieve a reduction of 16% to 29% in their greenhouse gas emissions relative to the end-2019 level.

In October 2021, the board of directors adopted ERAFP's targets for the 2021-2025 period with a view to achieving a carbon-neutral investment portfolio by 2050.

33. Launched in September 2019 at the United Nations Climate Action Summit, and bringing together 71 investors representing nearly $10.4 trillion in assets under management, the AOA aims to provide its members with a framework to support them over the long term in achieving the carbon neutrality of their portfolios by 2050.

34. https://www.unepfi.org/wordpress/wp-content/uploads/2021/01/Alliance-Target-Setting-Protocol-2021.pdf.

THE ROLE OF THE BOARD OF DIRECTORS IN DRAWING UP THE CLIMATE ROADMAP

The board of directors was closely involved in drawing up ERAFP's climate roadmap for 2025, in several stages:

- organising a training session on 8 June 2021 on assessing companies' non-financial performance;
- holding a seminar on 9 June 2021 to present the preparatory work done by ERAFP's financial management teams, with whom this work could be discussed during three technical workshops (Equities and Debt, Private Equity and Infrastructure and Real Estate);
- the work on the roadmap done by the CSPP – a committee of the board – in June and September 2021;
- the presentation of the roadmap to the board of directors on 8 July 2021.

This work culminated in the roadmap's adoption by the board of directors at its meeting on 7 October 2021.

Alliance members must set three of the four types of target defined by the Alliance (see box on the right). ERAFP decided to set the following types of targets to draw up its roadmap: greenhouse gas emissions targets, engagement targets and targets for financing the transition to a low-carbon economy.

ERAFP chose not to set sector-specific targets, which are particularly complex in terms of implementation and risked being counterproductive, especially given that most of its assets are managed by delegated asset managers and that it implements strict SRI guidelines based on a best in class approach across all asset classes.

ERAFP therefore decided to set:

- emissions targets for equity and bond holdings in private companies[35] (hereinafter referred to as the "AOA listed company portfolio") and the directly held residential real estate portfolio[36] (hereinafter referred to as the "AOA real estate portfolio");
- engagement targets, which concern holdings in equities, debt and convertible bonds[37];
- targets for financing the transition to a low-carbon economy, which cover all asset classes.

In addition to setting three of the four types of targets in accordance with the Alliance protocol, ERAFP has also set an additional "temperature alignment" target for its equity, corporate bond and convertible bond portfolios.

35. Portfolios under delegated management only.

36. Excluding investments in funds or assets over which the manager lacks operational control.

37. Portfolios under delegated management only.

AOA 2025 TARGET-SETTING PROTOCOL – TARGETS BY CATEGORY

Source — AOA 2025 target-setting protocol (inaugural version)

Engagement targets

- Engagement with 20 companies with a focus on highest emitters or those responsible for 65% of emission in portfolio (either Direct, Collective, or via Asset Manager)
- Contribute to :
  - Sector - Engagement with corporates in target sectors
  - Asset Manager - Each member to participate in at least one engagement with the pre-identifed (largest) 4 Asset Managers
  - Alliance position papers

AOs to set action targets on policy advocacy

Sector targets

- Intensity-based reductions on Alliance priority Sectors (O&G, Utilities, Steel, and Transport – Aviation, Shipping, Heavy and Light Duty Road)
- Scope 3 to be included wherever possible
- Sector specific intensity KPIs recommended
- Sectoral Decarbonization Pathways used to set targets.

1.5°C

Net-Zero by 2050

Real World Impact

Sub-portfolio (later Portfolio) Emission Targets

- -16% to -29% CO_2e reduction by 2025 (per IPCC 1.5°C SR scenarios) on Listed Equity and Publically Traded Corporate Debt, with the same recommended for Real Estate and/or CRREM national pathways used
- Covers Portfolio Emissions Scope 1 & 2, tracking of Scope 3
- Absolute or intensity-based reduction against 2019 base year recommended.

Financing Transition Targets

- Report on progress on climate-positive investments
- Focus on renewable energy in Emerging Markets, Green Buildings, Sustainable Forests, and Green Hydrogen, among others
- Contribute to activities enlarging the low carbon investment universe and building solutions

TARGETS FOR REDUCING GREENHOUSE GAS EMISSIONS

➤ Portfolio of AOA listed companies

Setting the target

Since 2015, ERAFP has monitored changes in the carbon intensity of its various asset classes and reported on them in its annual public report. In 2019, in line with its decision to treat climate issues as an impact priority, it adopted a specific indicator for monitoring its portfolio's aggregate carbon intensity, covering its investments in equities, corporate bonds and convertible bonds.

It took this policy a step further in 2021 as part of its climate roadmap, by setting a target to reduce the carbon intensity of its listed equity and corporate bond portfolios by 25% between 2019 and 2024. It determined this target as follows:

- by taking into account the starting point in terms of the portfolios' carbon intensity relative to their benchmarks;
- and by seeking to maintain the necessary balance between carbon intensity reduction requirements and the financing of companies whose activities promote the energy and ecological transition.

As its metric, ERAFP has chosen to use carbon intensity per million euros of revenue rather than per million euros invested, since using revenue enables it to assess a company's operational efficiency as well as the exposure of the portfolio to the most carbon intensive companies. The carbon intensity of portfolio companies per million euros invested is, however, presented by way of information.

In terms of emission scopes, the target covers scopes 1 and 2. In line with its approach adopted heretofore, ERAFP chose not to include scope 3 in this target. While scope 3 emissions are essential for analysing a company's performance, including them at portfolio level remains a delicate matter. The percentage of companies that report scope 3 emissions is low, the standards for calculating these emissions are currently inadequate and estimates calculated by specialised agencies can vary widely[38]. Moreover, when emissions are consolidated at the portfolio level, double or triple counting remains an issue (the same emissions may be included in scope 3 by one issuer and scope 2 by another). However, as it has done since 2019, ERAFP presents in part 3 of this report the aggregate carbon intensity results for all scopes for each segment of the portfolio for which related monitoring takes place.

ERAFP selected as its indicator carbon intensity per €1 million of revenue.

38. See in particular the French financial markets authority's report 'Non-financial approaches in collective investment schemes', published in December 2020 (https://www.amf-france.org/sites/default/files/private/2020-12/les-approches-extrafinancieres-dans-la-gestion-collective-3eme-rapport.pdf).

MEASURING CARBON INTENSITY

A company's carbon intensity is a measure of its energy efficiency. It corresponds to the volume of the company's greenhouse gas emissions relative to its revenue. At the portfolio level, it corresponds to the weighted average carbon intensity of the portfolio's constituent companies.

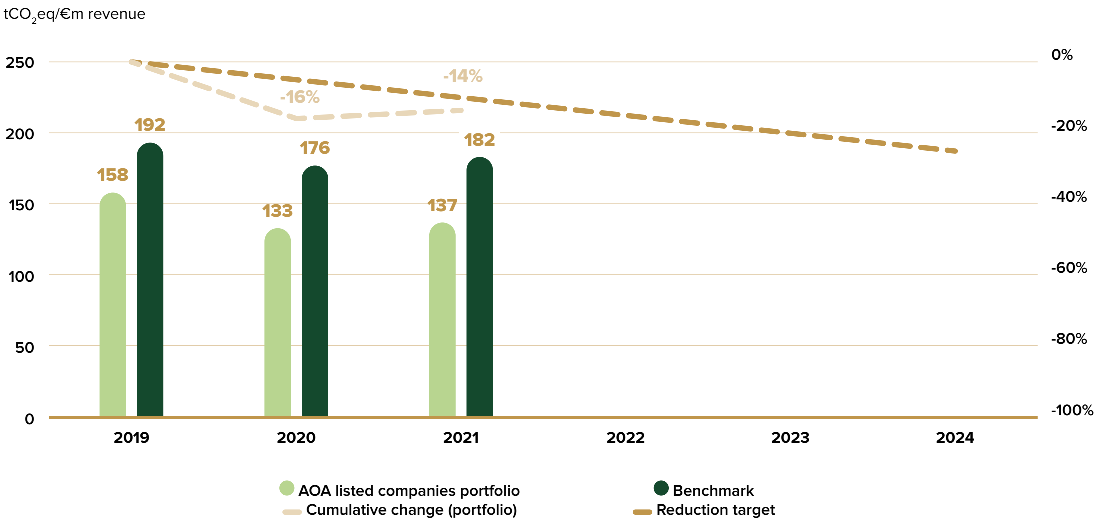
Carbon intensity is measured for one or several scopes:

- Scope 1 (direct emissions), which includes emissions physically produced by an activity, through the combustion of fossil fuels (gas, oil or coal), for example.
- Scope 2 (indirect emissions), which corresponds to emissions related to the consumption of the electricity, heat or steam consumed by a company's activities.
- Scope 3 (indirect emissions), which refers to emissions generated before or after the production stage. "Upstream scope 3 emissions" relate to the supply chain (the extraction and transportation of the materials a company buys to make its products, for example), and "downstream scope 3 emissions" relate in particular to the transportation, use and ultimate disposal of finished products.

➤ Monitoring of implementation

CARBON INTENSITY OF THE AOA LISTED COMPANIES PORTFOLIO RELATIVE TO BENCHMARK
(SCOPES 1 AND 2 EMISSIONS PER €1 MILLION OF REVENUE AS A WEIGHTED AVERAGE)

Source — S&P Global Trucost[39], 30 November 2021



The chart above shows that in 2021, the carbon intensity of the AOA listed company portfolio was significantly lower than that of its benchmark index: the benchmark shows a carbon intensity of 182 tonnes of CO_2 equivalent per million euros of revenue (tCO_2eq per million euros of revenue), versus just 137 tonnes for the AOA listed company portfolio, i.e. 24% lower than the benchmark.

The carbon intensity of the AOA listed company portfolio increased between 2020 and 2021, from 133 tonnes to 151 (+3%). This increase was due to the pandemic, since the figures for 2021 correspond to emissions and revenue generated in 2020, when absolute emissions decreased alongside an even steeper decline in revenue, due to the temporary shut-down of many sectors of the economy. This resulted in an increase in the ratio over the period. A similar effect can be seen for the index.

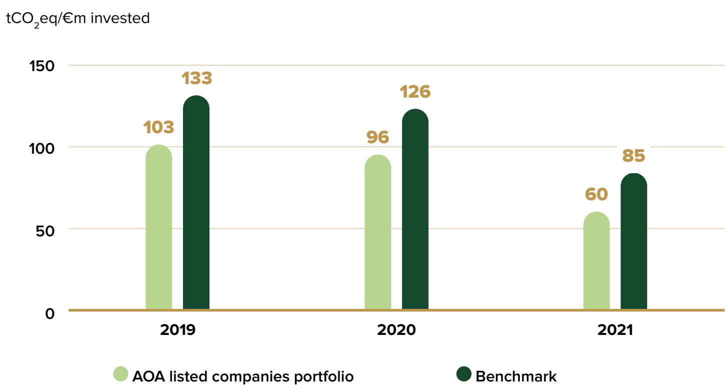
39. S&P Trucost Data of S&P Global Sustainable1, an S&P Global Inc. business.

If we consider another measure of carbon intensity – that per €1 million invested (tCO_2eq/€m invested) – again at the level of the AOA listed companies portfolio (see chart opposite), it also fell over the period 2019-2021 (-41.7%). The exceptional 37.5% fall observed between 2020 and 2021 is attributable to the fact that the greenhouse gas emissions data used to calculate the indicator relate to 2020, while the valuation of the companies held in the portfolio is that at 31 December 2021. The decorrelation between changes in greenhouse gas emissions, which fell significantly in 2020 due to the consequences of the health crisis on activity, and company valuations, which were high in 2021, automatically leads to a sharp fall in the number of tonnes of CO_2 per €1 million invested.

As already shown by the €1 million of revenue measurement method, the portfolio significantly outperformed its benchmark over the entire period. In 2021, its carbon intensity was 29.4% lower than the benchmark's (60 tCO_2eq/€m invested versus 85 for the benchmark).

CARBON INTENSITY OF THE AOA LISTED COMPANIES PORTFOLIO RELATIVE TO BENCHMARK
(SCOPES 1 AND 2 EMISSIONS PER €1 MILLION INVESTED AS A WEIGHTED AVERAGE)

Source — S&P Global, 30 November 2021



AOA real estate portfolio

Setting the target

As part of its climate roadmap, ERAFP set itself the target of aligning its AOA real estate portfolio[40] with the 2025 transition point of the Carbon Risk Real Estate Monitor (CRREM) scenario, i.e. 1.5°C.

ERAFP decided to use the CRREM methodology to set this target because it makes it possible to assess a portfolio's greenhouse gas emissions with regard to the Paris Agreement's global warming limitation targets: it establishes the position of each of a portfolio's constituent assets in relation to a 1.5°C scenario specific to the type of asset and the country where it is located. This tool was developed by the 'Horizon 2020' European research and innovation project, which aims to accelerate the European Union real estate sector's decarbonisation and resilience to climate change.

The indicator used for this purpose is the portfolio's carbon intensity in $kgCO_2$/sq m, also referred to as 'surface intensity'. Note that the scope used to calculate the indicator includes some scope 3 emissions (relating to the energy consumption of tenants, when this information is available), as well as scopes 1 and 2.

At this stage, residential property is excluded from the scope covered by the target, for the following reasons:

- The vast majority of assets managed under the residential mandate are new developments under construction in France. Under the regulations in force, these new assets should be aligned with a target scenario limiting global warming to 1.5°C.
- Given the recent inclusion of existing housing in the portfolio, the managers have not had sufficient time to conduct all the necessary energy audits.

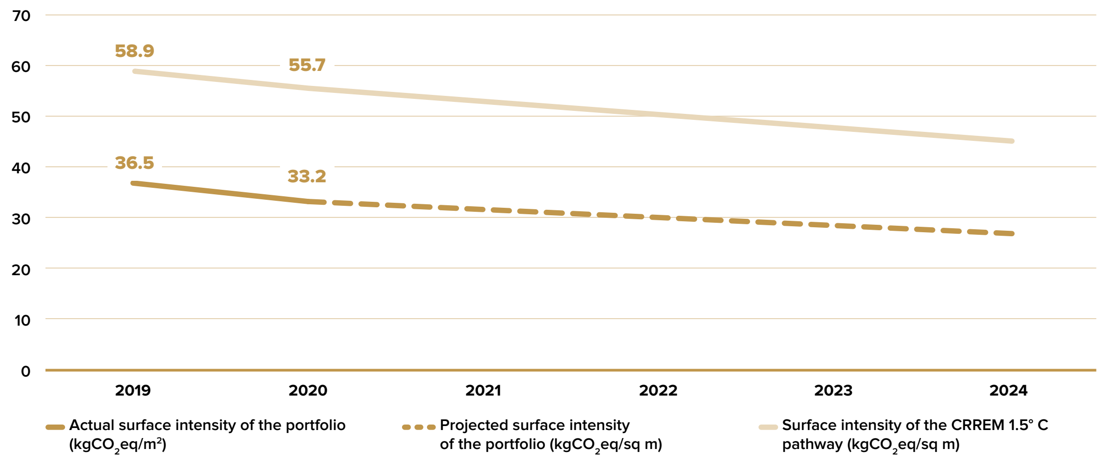
ERAFP does, however, intend to include residential assets in the scope covered by its targets in the coming years.

40. Excluding funds and assets over which the asset manager does not have operational control.

➤ Monitoring of implementation

SURFACE INTENSITY OF THE AOA REAL ESTATE PORTFOLIO[41] RELATIVE TO THAT OF THE CRREM 1.5°C TRAJECTORY (IN KGCO$_2$EQ/SQ M)[42]

Source — Carbone 4, CRREM, ERAFP



As shown in the table above, in 2020, the surface intensity of ERAFP's AOA real estate portfolio (33.2 kgCO$_2$eq/sq m) was in line with that required by CRREM for that year, with a view to aligning the portfolio with a 1.5°C scenario in 2025 (55.7 kgCO$_2$eq/sq m). In fact, it was significantly lower (-40%). It was also 9% lower than in 2019.

A more in-depth analysis of the indicator is presented on page 106 of this report.

ENGAGEMENT TARGETS

➤ Setting the target

The engagement target involves developing shareholder dialogue with some 30 of the companies with the highest greenhouse gas emissions in the portfolio in order to promote the energy transition in accordance with the targets of the Paris climate agreement. The target covers the equity, corporate bond[43] and convertible bond portfolios.

The following criteria were applied to identify the companies with which to engage under this target:

- contribution to the portfolio's carbon footprint;
- whether or not the company has set an emissions reduction or carbon neutrality target, in particular through the Science Based Targets initiative, and the ambitiousness of the target set[44];
- belonging to certain key sectors for the transition to a less carbon-intensive economy (energy, utilities and materials);
- geographical proximity (with a focus on French or European companies, over which ERAFP can exert a greater influence).

41. Excluding investments in funds or assets over which the manager lacks operational control.

42. The portfolio's projected surface intensity was estimated by the various real estate managers for the period to 2025, taking into account any works and other improvements to be made on the buildings.

43. For companies held only in bond portfolios, it is not planned to engage with those whose bonds mature in the near future.

44. While not being excluded from the engagement list, companies that have adopted targets aligned with a 1.5°C or 'well below 2°C' scenario will be given less priority than those that have set targets aligned with a 2°C scenario, are in the process of setting a target or have not yet committed to a target at all.

Monitoring of implementation

Since adopting the climate roadmap, ERAFP has laid the foundations for implementing its engagement target by identifying 30 relevant companies, based on the selection criteria described above. It will engage with eight of them directly as part of the Climate Action 100+ collaborative initiative, while its asset managers will engage with the other 22.

The table below shows the breakdown by business sector of companies selected by ERAFP under its engagement target. One third of these companies are in the materials sector while the others are equally divided between utilities (5), energy (5), industrials (5) and consumer discretionary (4).

At 30 November 2021, 11.9% of ERAFP's assets under management, accounting for 47.8% of its portfolio's carbon footprint, were covered by this engagement target.

BREAKDOWN BY BUSINESS SECTOR OF THE COMPANIES COVERED BY ERAFP'S ENGAGEMENT TARGET

Source — ERAFP, at 30 november 2021

BUSINESS SECTOR	NUMBER OF COMPANIES COVERED BY THE TARGET IN 2021	% OF ASSETS	% OF THE CARBON FOOTPRINT (TCO_2EQ/€ MILLION INVESTED, SCOPES 1 AND 2)
Materials	11	3.6%	22.4%
Utilities	5	2.4%	10.5%
Energy	5	1.5%	8.0%
Industrials	5	1.9%	5.7%
Consumer discretionary	4	2.5%	1.5%
Total	**30**	**11.9%**	**48.2%**

TARGET FOR FUNDING THE TRANSITION TO A LOW-CARBON ECONOMY

Setting the target

As part of its impact investment approach, every year ERAFP reports on the amount it has invested in the energy transition or the effort to decarbonise the economy. For the first time, it set a target to increase this amount by 2024, across all its asset classes. In order to report on the implementation of this target, ERAFP will report each year the action it has taken on this front since the adoption of its climate roadmap in 2021. At the same time, it will continue to monitor in detail the amounts invested in assets contributing to the decarbonisation of the economy (see pages 81-82 of this report).

Monitoring of implementation

In 2021, ERAFP invested €120 million in climate-focused listed equity funds and recast its 'low-carbon' mandate, managed by Amundi and representing more than €2.7 billion in market value terms at end-2021, as a 'climate transition benchmark' mandate, in accordance with European regulations on 'climate' indices. It also invested €150 million[45] in multi-investor private equity and infrastructure funds focused on the energy transition.

45. Amount committed.

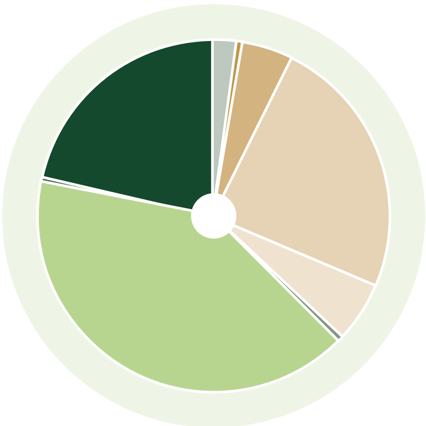
At 31 December 2021, ERAFP's total investments in assets that contribute to the transition to a low-carbon economy, irrespective of the date on which they were made, amounted to €11.3852 billion, up 44.4% compared with 2020 (€7.8866 billion)[46]. As shown in the graph opposite, these investments can be broken down as follows:

- 40.4% in companies in the equity and convertible bond portfolios, covered by a target aligned with a temperature scenario of 1.5°C or less, validated by the Science Based Targets initiative (SBTi);
- 28.9% exclusively in the equity segment (of which 24.1% are held under the 'Climate transition benchmark' mandate managed by Amundi and 4.8% through specialised climate-themed equity funds);
- 6.5% in the real estate segment (of which 6.2% are aligned with a 1.5°C scenario and 0.3% are forestry investments);
- 6.2% in the bond asset class (of which 5.7% are in green bonds and 0.5% in thematic bond funds);
- lastly, 2.2% in private equity (renewable and other energies) and 0.4% in infrastructure (waste management and renewable energies).

46. The explanations for this increase are presented on page 82.

BREAKDOWN OF ERAFP'S INVESTMENTS CONTRIBUTING TO THE TRANSITION TO A LOW-CARBON ECONOMY AT 31 DECEMBER 2021

Source — ERAFP



THE "CLIMATE TRANSITION BENCHMARK" MANDATE

In connection with its target of funding the energy transition, which is included in its climate roadmap, in 2021 ERAFP recast the Amundi-managed "low-carbon" index tracking mandate for euro-zone equities as a "climate transition benchmark (CTB)" mandate.

Set up in 2015, the "low-carbon" mandate aimed to use a specific methodology to reduce its carbon intensity compared with a standard euro-zone benchmark. Created by Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 (known as the "Benchmark Regulation"), accredited CTBs require:

- exposure of the benchmark to carbon-intensive sectors must be at least equivalent to the exposure in the investable universe;
- data on greenhouse gas emissions, including scope 3, must be included, within the timeframe specified for the sector concerned;
- an annual decarbonisation trajectory for the benchmark must be set (carbon intensity must be reduced by at least 7% each year, in line with the IPCC's 1.5°C scenario);
- there must be at least a 30% reduction in carbon intensity relative to the initial investable universe.

SCIENCE-BASED TARGETS INITIATIVE

Launched in June 2015, the Science-Based Targets initiative (SBTi) aims to encourage companies to set science-based targets for reducing their greenhouse gas (GHG) emissions (trajectories of 1.5°C or below). For a company wishing to take action as part of the SBTi, in practice this involves:

- signing a letter in which it undertakes to set a science-based target for reducing its greenhouse gas emissions;
- setting this target within 24 months of signing the letter;
- having its target validated by the SBT body;
- communicating publicly about its target.

There are thus three possible "statuses" for companies with respect to the SBT initiative:

- companies whose target has been validated by the SBT;
- companies that have undertaken to set a target but have not yet done so, or whose target is awaiting validation;
- companies that have neither had a target validated by the SBT nor undertaken to set one.

TEMPERATURE ALIGNMENT TARGET

Setting the target

To assess the proper alignment of its listed equity portfolio with climate pathways consistent with the Paris Agreement, rather than using carbon footprint or carbon intensity metrics, which present an exclusively historical view of greenhouse gas emissions, ERAFP relies on a more forward-looking indicator, namely the emissions reduction or carbon neutrality targets of portfolio companies.

ERAFP's aim is to achieve a situation where companies representing 50% of the carbon footprint[47] of its aggregate portfolio (equities, debt and convertible bonds) have set targets consistent with global warming of 1.5°C or lower that have been validated by the Science-Based Targets initiative (SBTi).

Monitoring of implementation

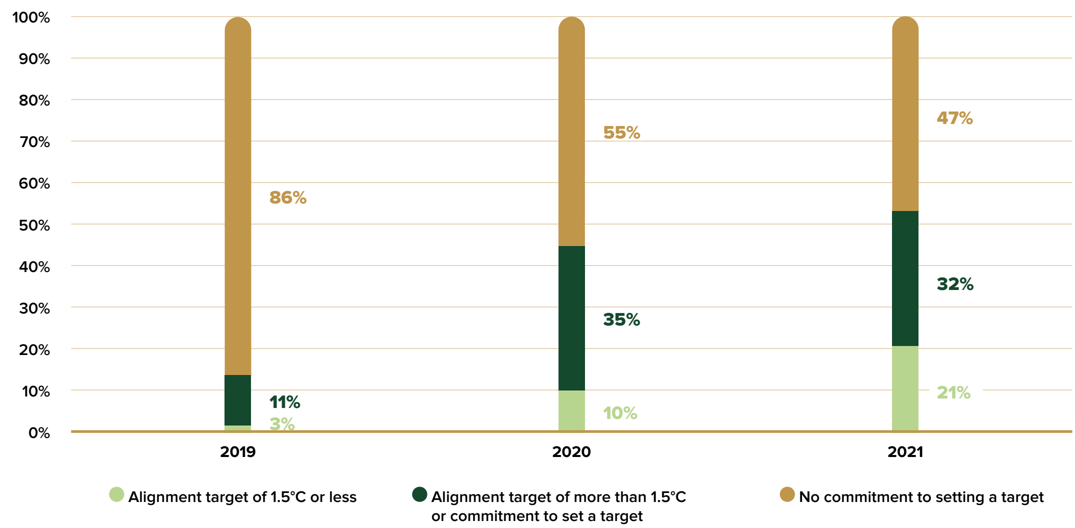
At 31 December 2021, 21% of the aggregate global portfolio's carbon footprint resulted from companies that had set targets to align their greenhouse gas emissions with a temperature rise of 1.5°C or lower and whose targets had been validated by the SBTi.

This percentage had increased sharply in the space of two years, from just 3% in 2019. This was due to the initiative's increasing importance: it was launched in 2015, at a time when companies' desire to set themselves such targets was beginning to take hold. As shown, the percentage of the aggregate global portfolio's carbon footprint produced by companies committed to an SBTi approach more than tripled between 2019 and 2021 (from 14% to 53%).

47. Scopes 1 and 2.

PERCENTAGE OF THE LISTED COMPANY PORTFOLIO COVERED BY SCIENCE-BASED TARGETS, BY TYPE OF APPROACH (SCOPES 1 AND 2)

Sources — S&P Global, SBT, ERAFP; 31 december 2021



TARGETS SET FOR ERAFP'S CLIMATE ROADMAP

Source — ERAFP

TYPE OF TARGET	SCOPE COVERED	TARGET
Reduction in greenhouse gas emissions	Equities/Debt	Reduce carbon intensity by 25% between 2019 and 2024 (scopes 1 and 2).
	Non-residential real estate	Align with the CRREM 1.5°C scenario 2025 transition point (scopes 1 and 2 and part of scope 3 emissions).
Engagement	Equities/Debt/Convertibles	Build shareholder dialogue with some 30 of the companies with the highest greenhouse gas emissions in the portfolio, in order to promote the energy transition in accordance with the targets of the Paris climate agreement.
Temperature alignment	Equities/Debt/Convertibles	Achieve a situation where companies representing 50% of the carbon footprint have set targets aligned with a temperature rise of 1.5°C or lower approved by the SBTi.
Transition financing	Global portfolio	Increase the amounts invested in assets that contribute to the energy transition and decarbonisation of the economy.

AN **ENGAGED** INVESTOR

In addition to the best in class mechanism, which applies to all parts of its portfolio, ERAFP's socially responsible investment approach is supplemented by more targeted initiatives related to engagement in the broad sense.

Right from the Scheme's beginnings, for example, ERAFP has used the leverage arising from its position within companies to promote its core values, as defined in the SRI Charter adopted by its board of directors in 2006.

Moreover, with a view to developing its approach to socially responsible investment, for some of its investments ERAFP has more recently adopted an impact investing approach aimed at attaining concrete social and environmental targets rather than simply financial returns.

Engagement strategy

Engagement refers to all forms of dialogue between one or more investors and one or more issuers. It may be collaborative, in other words led by a group of investors, or limited to exchange between a single investor and a single investee. ERAFP tends to favour collaborative engagement insofar as:

- a group of investors can exert greater influence through a company's capital than a single investor acting alone;
- the resources needed for engagement (research, time, etc.) can be pooled between the participants;
- it facilitates the sharing of best practices between investors.

The general meeting is an important date in the company calendar, providing an opportunity for dialogue with shareholders as it requires them to give their opinion directly on a certain number of agenda items.

Since 2012, ERAFP has formalised its engagement approach by adopting guidelines that define both priority engagement themes and its general meeting voting policy.

Moreover, in updating its SRI Charter in 2016, ERAFP sought to formally strengthen its position as a committed investor. According to the updated SRI Charter *"ERAFP is determined to provide long-term support to those organisations in which it has decided to invest, by exercising its responsibilities as shareholder or stakeholder in such a way as to sustainably promote practices within these entities that respect the values it supports"*.

Find out more

ERAFP's shareholder engagement guidelines

COLLABORATIVE INITIATIVES SUPPORTED BY ERAFP BY PRIORITY ENGAGEMENT THEMES

1

Promoting of strategies aligned with the targets of the Paris climate agreement

- IIGCC/Climate Action 100+
- IDI[47]/ShareAction
- CDP
- Net-Zero Asset Owner Alliance

2

Promoting a clearly defined governance framework for climate change-related risks and opportunities

- IIGCC/Climate Action 100+
- IDI/ShareAction
- CDP
- Net-Zero Asset Owner Alliance

3

Making a positive contribution to the SDGs

- Finance for Tomorrow

4

Combating aggressive tax optimisation practices

- PRI

ENGAGEMENT CONDUCTED BY ERAFP

ERAFP's engagement strategy potentially covers all the companies held in its portfolio, regardless of asset class (equities or bonds) or company type (listed or unlisted).

Engagement initiatives are carried out:

- in accordance with the priority engagement themes;
- when a company is involved in an ESG-related controversy, or in order to improve a company's transparency and ESG performance.

COLLABORATIVE INITIATIVES

In 2021, ERAFP pursued its engagement approach on a number of environmental, social and governance issues, *via* both collaborative initiatives and various investor networks and platforms. These issues are consistent with ERAFP's priority engagement themes (see box above), which its board of directors defines every year on the basis of the shareholder engagement guidelines.

ERAFP participates in at least one collaborative engagement initiative for each priority engagement theme. In general, the aim of collaborative initiatives is to challenge companies on their practices, asking them to explain and improve them as necessary.

In addition to written correspondence, the engagement coordinators organise meetings with willing companies to explain the expected level of transparency and best practices in their sector and discuss the issuers' intended action plans for the coming years.

In 2021, ERAFP was one of a number of investors to join the global engagement coalition for a just transition, led by Finance for Tomorrow. This initiative aims to:

- encourage companies to make the just transition part of their ESG strategy;
- promote best practices in the sectors most impacted by the transition;
- facilitate collaboration between investors and companies on this topic.

For a comprehensive presentation of the climate-related collaborative initiatives in which ERAFP is involved, see the sub-section of its 2021 sustainability report entitled "Membership and participation in collective initiatives".

48. Investor Decarbonisation Initiative.

FOCUS ON THE CLIMATE ACTION 100+ INITIATIVE:

Launched at the end of 2017, the Climate Action 100+ initiative is considered to be one of the most significant investor initiatives for tackling climate change. It aims to work not only with 167 companies identified as the world's largest greenhouse gas emitters, but also with those with the greatest capacity to contribute to the energy transition over a five-year period through their emissions reduction strategy.

Led jointly by the PRI and the Global Investor Coalition on Climate Change (an association of four regional investor groups, one of which is IIGCC, the European Institutional Investors Group on Climate Change), the initiative currently brings together 617 investors representing $65 trillion in assets under management. ERAFP actively participates in Climate Action 100+ shareholder engagement in the utilities, energy, automotive, cement and chemicals sectors[49]. Within these sectors, it leads the engagement with two companies, in one case in conjunction with two other investors, and acts as a 'support' investor for six other companies.

Of key importance in the energy transition, the utilities and automotive sectors – and more particularly the companies covered by an ERAFP engagement action – have started to take significant measures such as reducing their emissions and replacing fossil fuels and petrol vehicles with renewable energies and electric vehicles, but they still need to deploy considerable resources to achieve carbon neutrality by 2050.

49. "Investor Position Statement: A call for Corporate Net-Zero Transition Plans". See link below: https://www.iigcc.org/download/iigcc-investor-position-statement-voting-on-transition_/?wpdmdl=5416 & refresh =62064ff3344e61644580851

INVESTOR STATEMENTS

In 2021, ERAFP also endorsed several investor statements containing messages aimed at companies or governments:

- ERAFP signed an open letter[50] from The Investor Agenda urging governments to raise their climate ambitions ahead of the COP26 summit. The letter stresses the urgent need to act on climate change and sets out a series of recommendations for alignment with a 1.5°C global warming pathway.
- ERAFP supported a statement developed in connection with IIGCC concerning plans for the transition to carbon neutrality, which asks companies to:
  - publish a transition plan that complies with the TCFD's recommendations and uses Climate Action 100+ benchmarks as key indicators;
  - submit the implementation of this plan for regular advisory votes by shareholders;
  - identify board members responsible for said implementation.
- ERAFP supported Finance for Tomorrow's pledge of support for the development of impact finance[51], based on three principles to promote the large-scale development of sustainable investing:
  - implementing a structured and rigorous definition of impact finance;
  - promoting an integrated impact approach, clear and transparent communication and appropriate measurement and reporting tools;
  - integrating impact finance into regulatory and market frameworks.
- ERAFP signed the Finance for Biodiversity Pledge[52] a declaration by investors and financial institutions that undertake to:
  - collaborate and share knowledge;
  - engage with companies;
  - measure the impact of financing and investment on biodiversity;
  - set targets;
  - report publicly on progress made.

50. "2021 Global Investor Statement to Governments on the Climate Crisis". See link below: https://theinvestoragenda.org/wp-content/uploads/2021/09/2021-Global-Investor-Statement-to-Governments-on-the-Climate-Crisis.pdf

51. "Pledge of support for the development of impact finance". See link below: https://financefortomorrow.com/actualites/publication-declaration-de-soutien-au-developpement-de-la-finance-a-impact/

52. https://www.financeforbiodiversity.org/about-the-pledge/

ENGAGEMENT BY ERAFP'S ASSET MANAGERS

ERAFP also encourages its asset managers to engage with issuers represented in the portfolios they manage on its behalf.

In implementing ERAFP's SRI Charter, which was updated in 2016, the delegated asset managers closely monitor controversies that companies may be exposed to. As part of a shareholder engagement approach, the managers initiate dialogue with companies that are involved in proven breaches of international standards or have questionable environmental, social or governance practices.

In addition to their engagement in monitoring controversies, the managers may engage individually or collectively with investees on one or more ESG themes, with the aim of improving these companies' transparency and ESG performance.

As part of its climate roadmap, ERAFP has asked several managers to carry out actions with certain companies held *via* their respective mandates, in addition to any engagement work carried out by the management firms independently. This engagement by asset managers concerns 22 of the 30 companies that ERAFP has chosen to target.

A VOTING POLICY THAT IS CONSISTENT WITH PUBLIC SERVICE VALUES AND DEMANDING OF LISTED COMPANIES

ERAFP's policy for voting at general meetings (GMs) is updated annually, in order to draw lessons from each general meeting season and so gradually improve the policy's consistency and comprehensiveness.

While its equity managers implement the policy on its behalf, ERAFP ensures that the positions expressed are correctly interpreted and consistent by coordinating the voting by its management firms for a number of companies.

In 2021, ERAFP made two major changes to its voting policy:

- It decided to use the leverage provided by its voting guidelines to further its first two climate priority engagement themes (see 'Collaborative initiatives supported by ERAFP by priority engagement theme' box on page 77), and to that end made the following changes to its guidelines:
  - Tabling a vote against the chairman of the board of directors if a company belongs to a sector with a strong climate impact and is deemed to pay insufficient heed to climate issues.
  - Inclusion of climate-specific criteria in the determination of variable remuneration for the main executives at this type of company.
  - Recommendation – in line with ERAFP's climate roadmap and SRI approach – of a negative vote on climate resolutions, based on a case-by-case analysis, if the following criteria are not met:
    - goal to achieve carbon neutrality by 2050, covering all relevant emissions scopes,
    - a medium-term 1.5°C alignment target for scopes 1 and 2 emissions, and scope 3 emissions if available and relevant,
    - a quantified decarbonisation strategy.
- It changed the composition of the sample of 60 companies in the equity portfolio that it monitors in depth. While selection was previously based solely on a company's weighting in the portfolio, it now includes companies in the equity portfolio identified under ERAFP's climate roadmap engagement target.

A summary presentation of ERAFP's votes at the general meetings held in 2021 can be found in the sub-section of ERAFP's 2021 sustainability report entitled "Review of the 2021 general meeting season".

Impact investing

ERAFP'S IMPACT INVESTING APPROACH

Over the past decade, the question of how an investment can impact the environment or society has become increasingly important. Impact investing aims to extend the socially responsible investment approach by looking beyond the inclusion of ESG criteria in an investment decision to question the concrete impact it can have and thereby make it a tool for change, without forgoing financial returns.

As an investor committed to developing its SRI approach in a manner consistent with its fiduciary responsibility to its active contributors, ERAFP has chosen to include part of its investments in this approach.

Since identifying targets is at the very heart of the concept of impact investing, in implementing this approach ERAFP has chosen to prioritise three action areas that correspond to its profile as a long-term investor managing a pension scheme for public servants: contributing to the transition to a low-carbon economy, supporting economic activity and employment and facilitating access to housing for public sector employees.

CONTRIBUTING TO THE TRANSITION TO A LOW-CARBON ECONOMY

In 2021, ERAFP adopted a roadmap detailing the targets it has set itself for 2025 with a view to making its investment portfolio carbon neutral by 2050. This keystone of the Scheme's investment policy is designed to contribute to the fight against climate change. In addition to reducing the impact of its investments on the climate, ERAFP has been investing for a number of years in the energy transition and initiatives designed to decarbonise the economy. These investments, which support the transition towards a greener economy, directly help reduce greenhouse gas emissions and thus constitute impact investments in accordance with the additionality principle (see box below). As it has done for several years now, ERAFP will therefore continue to monitor the investments it made in this area in 2021.

SUPPORTING ECONOMIC ACTIVITY AND EMPLOYMENT

Due to their ability to make long-term investments, institutional investors are able to help provide the capital required to finance economic activity – which indirectly contributes to job growth. Aware of its role in this area, ERAFP decided very early on to finance listed SMEs and mid-caps by buying shares in small companies. Changes in its investment framework subsequently enabled it to broaden its range of instruments and finance SMEs and mid-tier companies by participating in loan securitisation funds and investing in private equity. SMEs and mid-tier companies have been particularly exposed to the two major crises that have shaken the global economy in recent years – that of 2008, and the Covid-19 pandemic – which has reinforced ERAFP's conviction that it has a role to play with these firms.

FACILITATING ACCESS TO HOUSING FOR PUBLIC SECTOR EMPLOYEES

Published in 2016, the Dorison/Chambellan Le Levier report was born of the observation that public sector employees moving to areas of high housing demand had major difficulties finding and renting suitable housing at an affordable cost. The authors of the report highlighted the role that institutional investors could play in financing so-called intermediate housing (i.e. with rents positioned between social housing and free market levels) for the benefit of public sector employees. ERAFP has been aware of this issue since a very early stage, and in 2014 committed €60 million during the first and second fundraisings of the FLI intermediate housing fund. Since then, it has broadened its scope to finance other intermediate and affordable housing projects that are intended to be rented out primarily to public sector employees.

DEFINING IMPACT FINANCE

In November 2021, ERAFP signed Finance for Tomorrow's "Pledge of support for the development of impact finance" to foster the emergence of a shared, rigorous definition of impact finance, the three pillars of which are: intentionality (defining social or environmental impact targets), additionality (demonstrating the beneficial effects of the approach implemented) and impact measurement. ERAFP is satisfied that its impact investing approach is aligned with the terms of this definition.

Monitoring impact priorities

Contributing to the transition to a low-carbon economy

INVESTMENTS IN ENERGY TRANSITION OR CONTRIBUTING TO THE DECARBONISATION OF THE ECONOMY AT 31 DECEMBER 2021

Source — ERAFP

Asset class		2020 Amount invested (market value in €m)	2021 Amount invested (market value in €m)	Change 2020-2021
Equities	"Climate transition benchmark" mandate	2 275.1[53]	2 741.0	20.5%
	Climate-focused equity funds	355.4	548.0	54.2%
Bonds	Green bonds	182.8	649.2	255.1%
	Climate-focused bond funds	50.9	55.6	9.2%
Equity, Bond and Convertible mandates	Issuers with a 1.5°C SBT target	3 274.4[54]	4 600.7[55]	40.5%
Real estate	Forestry	28.8	28.8	0.0%
	1.5°C-aligned real estate assets	1 535.3[56]	2 459.7[57]	60.2%
Infra-structure[58]	Renewable energy and other projects	170.0[59]	252.1[59]	48.3%
Private equity[59]	Waste management Renewable energy	14.0[59]	50.0[59]	257.1%
Total		7 886.7	11 385.1	44.4%

As it has done since its 2019 public report, in this sub-section ERAFP presents the share of its investments that contribute to the decarbonisation of the economy. It has broadened the scope used for this indicator compared with previous years to include assets aligned with a Paris Agreement temperature scenario ('emitters with a Science-Based Targets initiative-validated 1.5°C target' and 'real estate assets aligned with a 1.5°C scenario'), which it also monitors under its climate roadmap.

At constant scope, at the end of 2021, investments in the energy transition or contributing to the decarbonisation of the economy represented approximately 27.1% of ERAFP's assets, up by 44.4% compared to 2020. This was due to the following factors:

- the larger number of companies that have temperature targets of 1.5°C or less validated by the SBTi; the broader scope of real estate assets covered by the assessment of their alignment with a CRREM 1.5°C scenario;
- the improved listing of green bonds held in the portfolio;
- growth in total assets under management, driven by an increase in contributions;
- rising market prices in 2021, which drove up the valuations of assets in the portfolio;
- new investments made in climate-themed equity funds amounting to €115 million;
- new investments that contribute to the energy transition in the private equity and infrastructure segment.

Some private equity investment was also allocated to the installation of renewable energy capacity – a crucial contributor to the reduction of greenhouse gas emissions. At 31 December 2021, through investments made in its Ardian mandate ERAFP had thus contributed to the installation of renewable energy capacity generating nearly 13,672 MWh of electricity.

53. Amount invested at the end of 2020 in the 'low-carbon' mandate managed by Amundi, which, in 2021 was recast as a 'climate transition benchmark' mandate.

54. Includes all mandates except the 'low-carbon' and green bond mandates.

55. Includes all mandates except the 'climate transition benchmark' and green bond mandates.

56. Real estate assets aligned with the CRREM 1.5°C trajectory. Data as at 31 December 2019.

57. Real estate assets aligned with the CRREM 1.5°C trajectory. Data as at 31 December 2020.

58. Amount committed.

Supporting business and employment

While the health crisis continued to impact the activity of European SMEs and mid-caps in 2021, ERAFP pressed ahead with the roll-out of an ambitious investment policy to support the real economy. In the past year, ERAFP thus:

- provided support to 138 SMEs and mid-caps through investments totalling €1,543 million in small-cap management mandates entrusted to Amiral Gestion, BFT IM – Montanaro AM and Sycomore AM (up 46.3% from 2020);
- contributed €655.7 million[59] (up 24.6% compared with 2020) to the financing of 289 unlisted SMEs and mid-tier companies through private debt funds and loan securitisation funds, in which it invests either directly or through the management mandates held by Amundi and Ostrum AM;
- provided a little over €550 million in financing to more than 780 mainly European unlisted companies (microenterprises, SMEs and mid-caps) through its private equity activity, through direct participation in open-ended funds and *via* a management mandate entrusted to Access Capital Partners.

As was the case last year, ERAFP contributed specifically to supporting the economic recovery by channelling some of its investments into 'Relance'-accredited funds[60], investing €536 million in listed equity funds[61] and €123 million in unlisted equity funds[62] respectively.

By the end of 2021, ERAFP had invested a total of more than €2.7 billion[63] in financing European SMEs and mid-caps, up 17.4% from 2020.

The other part of ERAFP's support for economic activity consists of its involvement in the funding of up-and-coming French technology companies. As highlighted by the Tibi report[64] published in 2019, start-ups in France often face growth issues in the later stages of their development because they cannot obtain the necessary funding. ERAFP is conscious of its ability as a long-term investor to support long-term projects. In response to this finding, at the end of 2019 ERAFP and other French institutional investors consequently undertook to help finance this type of business. By the end of 2021, ERAFP had duly committed €201.8 million of the €250 million it has earmarked for the initiative over three years, including €89.3 million through investments in listed equity funds and €112.5 million through investments in unlisted tech funds[65].

FOCUS ON IMPACT INVESTING

Set in 2009 by a group of large pension funds seeking access to comparable and reliable ESG performance data for their real estate and infrastructure investments, Global ESG Benchmark for Real Assets (GRESB) has since become the world leader in its field.

In November 2020, the SUMMIT II fund, in which ERAFP has a €12 million stake, acquired a 100% interest in GRESB for €18 million.

By learning more about their investments' ESG performance, investors can better target the most deserving projects in ESG terms and so help develop a more sustainable economy.

59. At market value.

60. 'Relance' accreditation, launched by the Ministry of the Economy, Finance and Recovery on 19 October 2020, is awarded to funds aimed at meeting the financing needs of French companies – in particular SMEs and mid-caps – for relaunching their activity following the economic repercussions of the Covid-19 pandemic.

61. At market value.

62. Amount committed.

63. Includes both amounts committed and disbursed.

64. https://minefi.hosting.augure.com/Augure_Minefi/r/ContenuEnLigne/Download?id=40C3DA75-8DAB-4300-86D1-C7ED87BD9045&filename=1351%20-%20Rapport%20Tibi%20-%20FR.pdf.

65. These funds are intended to hold investments of more than €1 billion in unlisted companies in a late-stage growth phase.

In direct application of its SRI investment policy, ERAFP has taken a role in financing intermediate housing projects, in particular for public sector employees.

Facilitating access to housing for public sector employees

In line with the real estate strategy set by the board of directors, the aim of which is to take greater account of economic and social issues, ERAFP's investments in the French residential sector (intermediate housing[66], affordable housing[67], open-market housing[68] and managed residences[69]) accounted for 29.1% of its real estate portfolio in 2021.

At the end of 2021, ERAFP had invested more than €1.004 billion in the French residential property sector. ERAFP's commitments in this sector amounted to €1.272 billion, representing 5,144 identified homes (i.e. acquired or in the process of being acquired), of which around 1,925 are intermediate housing units, 1,507 affordable housing units, 531 open-market housing units and 1,181 managed residence units.

In direct application of its SRI investment policy, ERAFP has taken a role in financing intermediate housing projects, in particular for public sector employees. Designed to facilitate access to housing in high-pressure areas[70] where rents are high in relation to disposable incomes, intermediate housing consists of homes for rent at levels between social housing and open market rates (10-15% below market prices). It thus represents a solution mid-way between private and social housing for people with incomes higher than the social housing threshold.

At the end of 2021, ERAFP had committed more than €434.7 million to intermediate housing, of which at least 96% had already been allocated, and had 2,877 intermediate sector homes potentially available for reservation. It had also funded around 600 'affordable' homes that are potentially eligible for the public sector employee housing subsidy scheme. A total of 1,120 homes are or have been available for reservation.

This total committed amount represents a number of separate investments made by ERAFP since 2014, as follows:

- In 2014, ERAFP invested €60 million in an initial trial conducted through the FLI intermediate housing fund.
- In February 2018, ERAFP activated a residential real estate mandate awarded to Ampère Gestion, the objective of which is to invest in residential assets in France, particularly in intermediate housing (market value of more than €895.3 million at the end of 2021).
- In early 2019, ERAFP invested €40 million in the FLI II fund managed by Ampère Gestion-CDC Habitat.
- At the end of 2021, ERAFP had invested €77.6 million in Hestia, a project set up to acquire a portfolio of intermediate housing properties from a French insurer in partnership with other institutional investors.

66. Intermediate housing is rental housing with a level of rent between that of social housing and open-market housing (10 to 15% lower than open-market prices). It thus represents a mid-way solution between private and social housing for people with incomes higher than the social housing threshold.

67. Affordable housing is open-market, non-intermediate rented housing with rent set below market levels to meet public housing policy requirements (source: CDC Habitat).

68. Open-market housing, or private housing, is a type of housing with rent that is freely set or controlled (but not regulated).

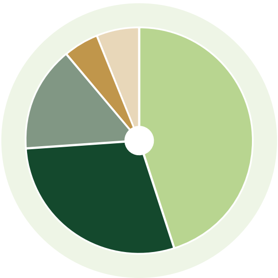
69. A managed residence is accommodation managed not by the property's owner but by a separate business entity.

70. The areas eligible for the intermediate housing scheme are those where prices are highest, namely Paris, its neighbouring municipalities and outer suburbs, the Côte d'Azur and the Swiss border, Lyon, Marseille, Lille and Montpellier as well as other major regional cities.

When making these investments in intermediate housing, ERAFP insists on obtaining a priority information right with a one-month exclusivity period in favour of public sector employees priced out of the housing market in and around Paris, on the Côte d'Azur or in the Gex region.

As well as channelling some of its investments into intermediate housing financing, ERAFP has also chosen to invest in so-called affordable housing, again earmarked for reservation by public sector employees. At the end of 2018, alongside other institutional investors, ERAFP invested a total of €262 million in the acquisition of a housing portfolio held by Foncière Vesta and previously owned by ICF Habitat Novedis, a subsidiary of the SNCF group.

BREAKDOWN OF THE REAL ESTATE PORTFOLIO BY SECTOR AT 31 DECEMBER 2021 (AT AMORTISED COST) *Source — ERAFP*



In 2018, CDC Habitat dedicated a specific area on its housing ads website to ERAFP's investments: https://www.cdc-habitat.fr/fonctionpublique. Public sector employees can use the site to create their own account, view 'partner' offers and apply for accommodation.

Account holders who have asked for updates on housing available in a given area receive related information seven months before the reserved housing units are delivered. Then, no later than three and a half months ahead of delivery, they can access the ads for the platform's reserved housing units. This exclusive access runs for a one-month period.

They also have exclusive seven-day access to advertisements for newly vacated reserved housing units.

Find out more

Intermediate housing

IMPACT PRIORITIES AND SDGS

By targeting these three priority action areas, ERAFP is also seeking to help achieve the Sustainable Development Goals (SDGs) in line with the commitment it made in signing the French public investors' Sustainable Development Goals charter in 2019. Thus:

- by supporting the transition to a decarbonised economy, ERAFP is seeking to help achieve SDG 13, 'Climate action';
- by supporting economic activity, it is promoting SDG 8, 'Decent work and economic growth' and SDG 9, 'Industry, innovation and infrastructure';
- by seeking to facilitate access to housing for public sector employees, it is furthering SDG 11, 'Sustainable cities and communities'.

For an analysis of the concordance between the ESG criteria contained in ERAFP's sovereign and corporate benchmarks and the SDGs, see ERAFP's 2020 public report.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

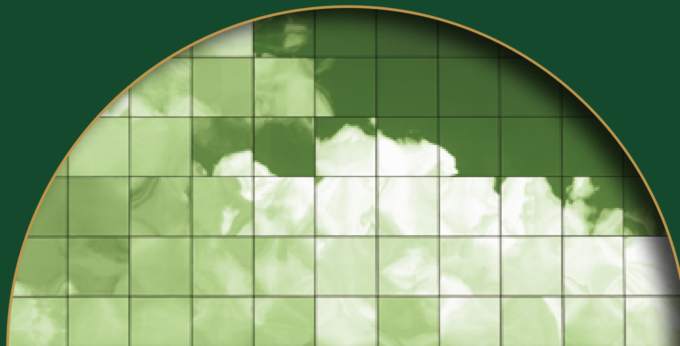
ERAFP has put in place an internal control and risk management system alongside the Scheme's technical and financial management tools, notably to ensure permanent risk monitoring and compliance with the rules and procedures in force.

In view of ERAFP's activities, a significant part of the internal control and risk management system is dedicated, aside from the control of operational risks, to investments and the associated financial risks, as well as to technical risks.

Its ability to fulfil its missions is thus assessed regularly and appropriately in view of its organisation and that of its delegated asset managers and representatives.

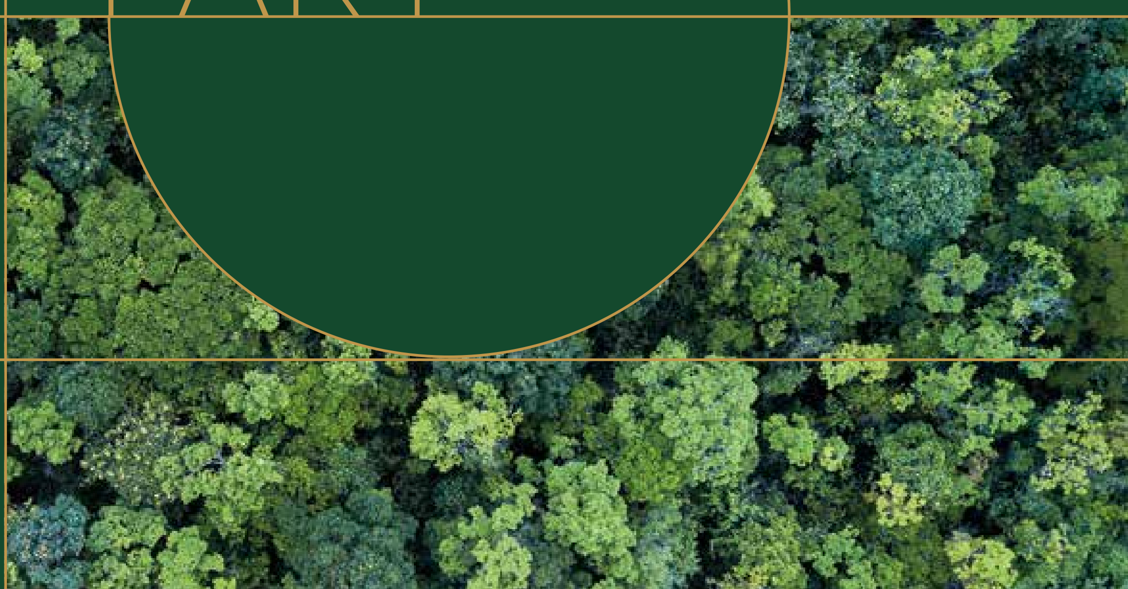
An overview of the 2021 internal control report appears in the appendix to this document. Applicable regulations provide that the board of directors deliberate each year on a detailed control report, which reviews the ongoing assessment of all risks over the past financial year[71].

71. Article 22 of Decree no. 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme.



FINANCIAL AND NON-FINANCIAL ANALYSIS OF ERAFP'S PORTFOLIOS

PART 3



For ERAFP, a 100% SRI investor since its creation, socially responsible investment is a cross-cutting framework that concerns its whole investment policy. The results of the SRI approach are assessed through a detailed analysis of the portfolio.

Asset class by asset class, mirroring the composition of the overall portfolio, ERAFP measures companies' consolidated ESG rating results and analyses changes over the year.

Where available, the climate change analysis for each portfolio is shown after its ESG rating. For portfolios included in ERAFP's climate roadmap, this sub-section highlights the results for the indicators selected within that framework. For the others, it presents an analysis in the same format as that of previous years.

Monitoring the SRI aspects of investment policy is most relevant for the asset classes that account for the biggest shares of ERAFP's overall portfolio. This cross-cutting line of analysis is consequently less well developed for asset classes that are still being built up or contain a limited pool of securities.

In accordance with the decree implementing Article 29 of Law no. 2019-1147 of 8 November 2019 on energy and the climate, which changes the non-financial reporting requirements applicable to French investors, in 2022 ERAFP will publish a report on this aspect of its investment policy. It will contain a more in-depth analysis of the portfolio's climate profile.

THE **EQUITY** PORTFOLIO

Financial profile

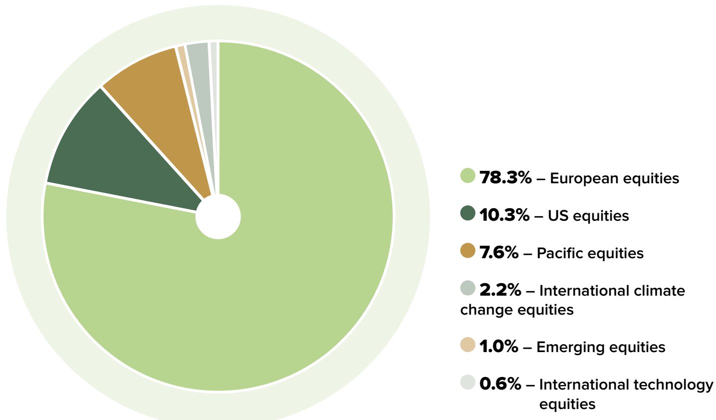
At 31 December 2021, the equity portfolio totalled €10.3 billion at amortised cost, representing 31.1% of ERAFP's total assets. It was split between European equities (24.8% of assets, or €8.2 billion) and international equities (6.3%, or €2.1 billion).

At the end of 2021, ERAFP had outsourced the management of its equity portfolio, with the exception of direct investments in climate change reduction-themed funds (€548 million at market value), emerging country equity funds (€158 million at market value) and funds invested in technology companies (€89.3 million at market value).

The two equity portfolios were split between 16 mandates, comprising 11 European equity mandates entrusted to Allianz, Amiral Gestion, Amundi, AXA IM, BFT - Montanaro, Candriam, EdRAM, Mirova, OFI AM and Sycomore (two mandates) and five international equity mandates entrusted to BTFM IM, Ostrum AM and Oddo BHF AM for the North America region and to Comgest and Robeco for the Pacific region.

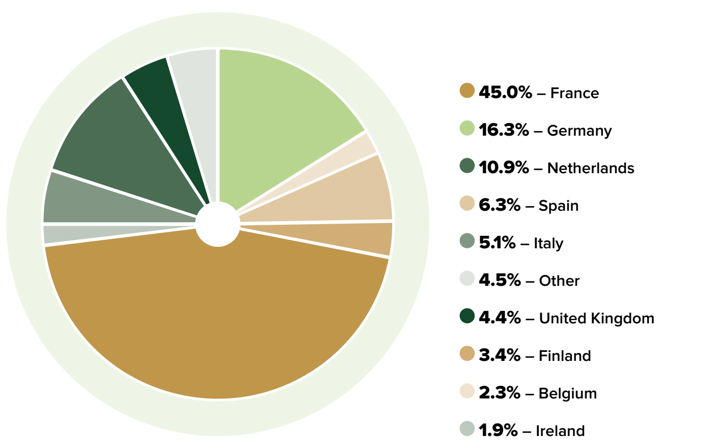
BREAKDOWN OF EQUITIES BY GEOGRAPHIC SEGMENT AT 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP



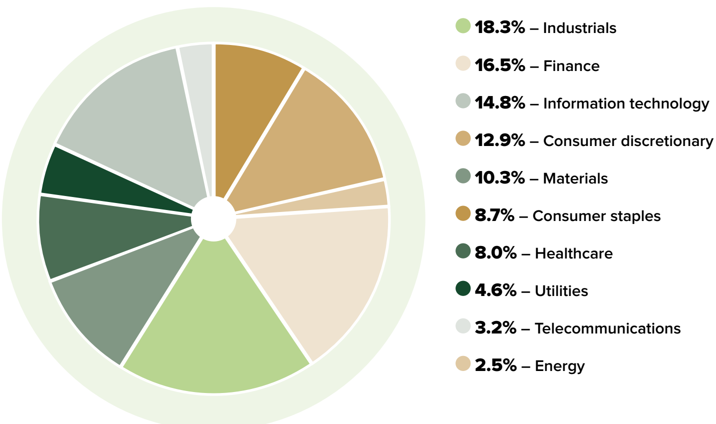
BREAKDOWN OF EUROPEAN EQUITIES BY COUNTRY AT 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP



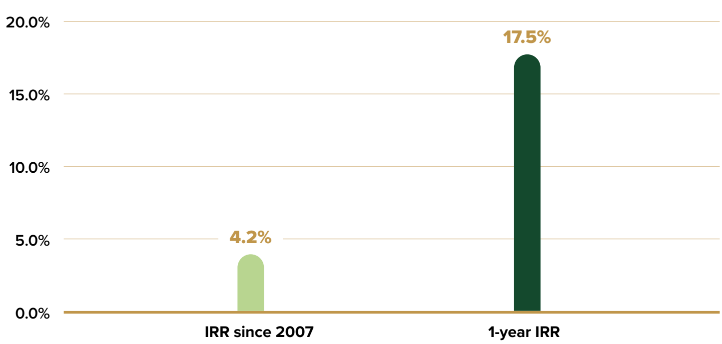
BREAKDOWN OF THE EUROPEAN EQUITY PORTFOLIO BY SECTOR AT 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP



IRR OF THE EQUITY PORTFOLIO SINCE 2007[72] AND ONE-YEAR IRR TO 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP



In terms of risk dispersion, investments in euro-zone and non-euro-zone equities are highly diversified, with 16 countries and 10 sectors represented. The portfolio's biggest geographic exposure is France, at 45%, followed by Germany (16.3%) and the Netherlands (10.9%), while its biggest sector exposure is industrials (18.3%), followed by financials (16.5%), information technology (14.8%) , consumer discretionary (12.9%) and materials (10.3%).

At the end of 2021, the equity portfolio's one-year IRR was 17.5% and the IRR since its first investment 4.2%. This broke down to one-year IRRs of 20.5% for the euro-zone/European equities portfolio and 15.2% for the international equities portfolio, and IRRs since first investment of 7.6% and 13.0%, respectively.

At 31 December 2021, unrealised gains on the equity portfolio were equal to 58.0% of its amortised cost, up 16.7 points from 2020.

72. Date of first investment.

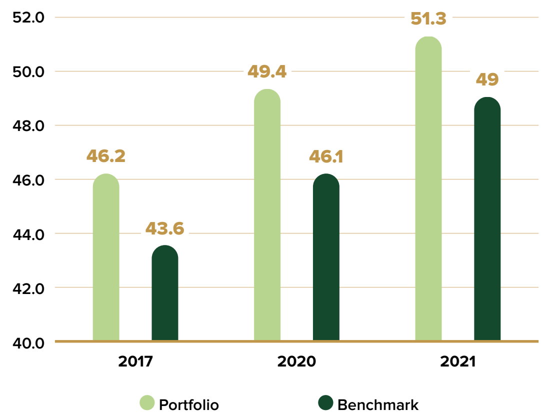
SRI profile

The equity portfolio's SRI rating has increased by more than 5.1 points since 2017. The portfolio continued to outperform its benchmark, with a spread of 2.6 points between the two ratings. With the exception of the Pacific equity portfolio, all the portfolios continue to outperform their respective benchmarks in terms of SRI performance.

The underperformance of the Pacific equity portfolio is due in particular to the fact that one of the two mandates invests in smaller companies, for which less information is available for assessment purposes. Moreover, the portfolio is more exposed than the index to Japan, a country whose average SRI performance is weaker than that of the other countries included in the index. In this manager's case, the management process relies largely on dialogue with the portfolio companies aimed at increasing their transparency. For its part, ERAFP ensures through its regular meetings with managers that its expectations are duly taken into consideration.

CHANGE IN THE SRI RATING OF ERAFP'S EQUITY PORTFOLIO COMPARED WITH BENCHMARK

Source — Moody's ESG Solutions, 31 December 2021



Climate analysis

CARBON INTENSITY

In 2021, the equity portfolio's carbon intensity, calculated as a weighted average for scopes 1 and 2, was 31% lower than that of its benchmark index (117 tCO_2eq/€m of revenue vs. 170 tCO_2eq/€m of revenue).

This performance gap was mainly attributable to a slight underweighting in utilities combined with effective selection of less carbon intensive securities in that sector. On top of these two factors, allocation to less carbon intensive stocks in the materials sector more than offset the overweighting of utilities, which have one of the highest emissions rates.

If we add scope 3, the equity portfolio underperformed the index, being 9% more carbon intensive. This is due mainly to its selection of manufacturing stocks with high scope 3 emissions. For example, a single European manufacturer of lighting products with very high 'downstream' scope 3 emissions (use of products) is responsible for 5% of the carbon intensity of the entire equity portfolio, despite the very small size of the holding.

This shows the extent to which including scope 3 can impact intensity results, which can be dominated by a handful of companies that are responsible for very high scope 3 emissions. Note that while they provide an overview of the entire value chain, results including scope 3 should be interpreted with caution as there is an increased risk of double counting emissions.

CARBON INTENSITY OF THE PORTFOLIO COMPARED WITH BENCHMARK

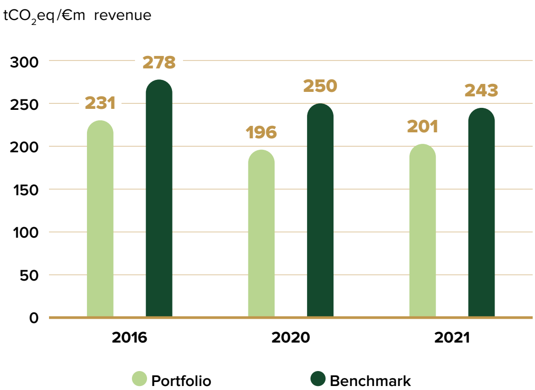
Source — S&P Global, 30 November 2021

	SCOPES 1 AND 2 (TCO_2EQ/€M REVENUE)	ALL SCOPES COMBINED (TCO_2EQ/€M REVENUE)
Equity portfolio	117	1 225
Benchmark	170	1125
Relative performance	**-31%**	**+9%**

The carbon intensity of the equity portfolio compared with the benchmark as regards direct emissions and direct suppliers is shown on page 91.

CARBON INTENSITY OF THE EQUITY PORTFOLIO COMPARED WITH BENCHMARK (DIRECT EMISSIONS AND DIRECT SUPPLIERS)

Source — S&P Global, 30 November 2021



ALIGNMENT WITH TEMPERATURE SCENARIOS

Carbon intensity measures a portfolio's climate performance compared with that of a benchmark index. What it does not show is how the portfolio contributes to the transition to a decarbonised economy. ERAFP has therefore adopted a more forward-looking indicator: the share of the carbon footprint (scopes 1 and 2) covered by an SBT-validated temperature alignment target.

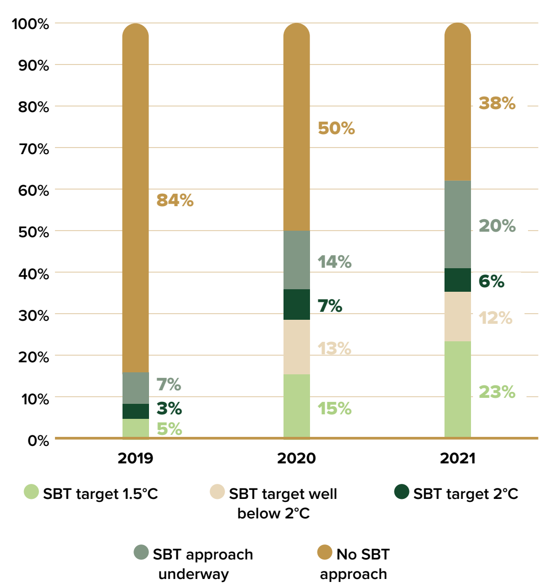
At 31 December 2021, 23% of the equity portfolio's carbon footprint was attributable to companies whose GHG 1.5°C or less alignment target had been validated by the SBT, compared with 13% for the index.

This percentage was four times lower in 2019 (5%), on account of:

- the ramping up of the SBT (created in 2015), at the same time as companies' growing desire to set science-based targets, as shown by the fact that the share of the carbon footprint attributable to companies that have adopted an SBT approach quadrupled between 2019 and 2021, from 16% to 62%;
- different stock selection from the benchmark, favouring companies that have set this type of target;
- the change of ERAFP's SRI guidelines in 2019 to require companies in sectors with major energy transition challenges to adopt a strategy that conforms to the Paris Agreement targets.

PROPORTION OF ERAFP'S ASSETS IN THE EQUITY PORTFOLIO COVERED BY SCIENCE-BASED TARGETS, BY TARGET TYPE (AS A %, SCOPES 1 AND 2)

Source — S&P Global, SBTi, ERAFP; 31 December 2021



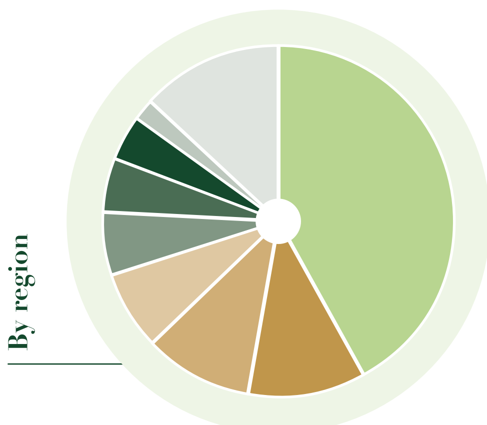
THE **CORPORATE BOND** PORTFOLIO

Financial profile

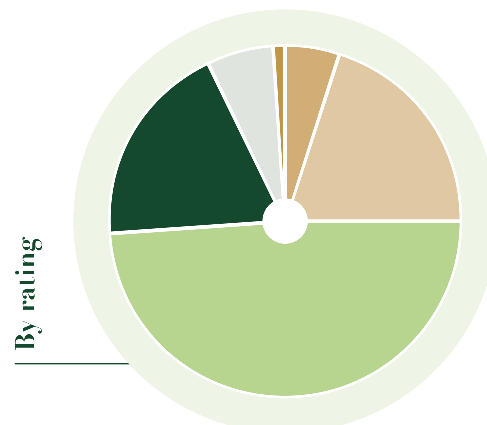
EURO-DENOMINATED CORPORATE BONDS

BREAKDOWN OF EURO-DENOMINATED CORPORATE BONDS HELD IN THE DELEGATED MANAGEMENT MANDATES BY COUNTRY, RATING AND SECTOR AT 31 DECEMBER 2021
(AT MARKET VALUE)

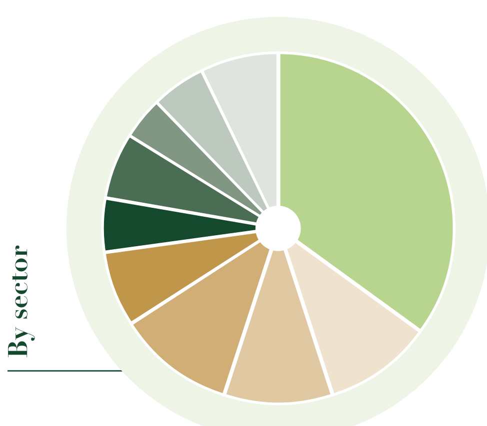
Source — ERAFP



- **41.6%** – France
- **11.1%** – Netherlands
- **10.2%** – United States
- **6.7%** – Italy
- **6.2%** – Germany
- **4.8%** – Spain
- **4.0%** – United Kigdom
- **2.3%** – Sweden
- **13.1%** – Other



- **48.7%** – BBB
- **20.0%** – A
- **19.4%** – BB
- **6.4%** – Unrated
- **4.7%** – AA
- **0.8%** – AAA



- **35.1%** – Finance
- **11.0%** – Consumer discretionary
- **10.2%** – Telecommunications
- **9.9%** – Utilities
- **7.4%** – Other
- **6.4%** – Debt funds
- **5.9%** – Industrials
- **5.2%** – Materials
- **4.7%** – Healthcare
- **4.2%** – Consumer staples

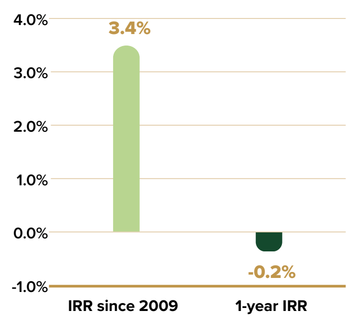
At the year-end, the "euro debt" portfolio, consisting of euro-denominated corporate bonds, totalled €7.1 billion at amortised cost, representing 21.5% of ERAFP's assets.

The euro-denominated corporate bond management mandates entrusted to Amundi and Ostrum AM notably include investments of €451 million in loan securitisation funds (out of a total commitment of €648 million).

While most of the bond portfolio continues to be run by delegated managers, since 2015 ERAFP has also held investments in third-party subordinated debt funds, which had a market value at 31 December 2021 of €178 million. In order to diversify its bond holdings in the low interest rate environment, the Scheme began investing in high-yield bond funds in 2019. These holdings were valued at €62 million at end-2021.

IRR OF THE EURO-DENOMINATED CORPORATE BOND PORTFOLIO SINCE 2009[73] AND ONE-YEAR IRR AT 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP



At 31 December 2021, unrealised gains on the euro-denominated corporate bond portfolio were equal to 4.4% of its amortised cost. Its IRR (at market value) since the first investment in 2009 stood at 3.4% and its one-year IRR at -0.2%. As in 2020, ERAFP focused its bond portfolio investments on corporates in 2021, as corporate bonds offered a particularly attractive yield premium over sovereign bonds.

INTERNATIONAL CORPORATE BONDS

At 31 December 2021, the international corporate bond portfolio totalled €1.3 billion at amortised cost, representing 3.8% of ERAFP's assets. It consisted at that date of two discretionary mandates, one entrusted to AXA IM for US dollar-denominated OECD corporate bonds and a second entrusted to Aberdeen Standard Investments for private-sector bonds in emerging countries.

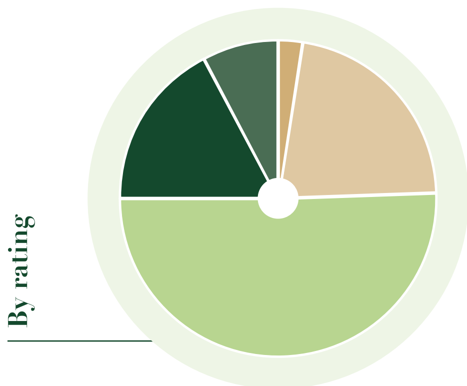
In addition to delegated management, ERAFP has holdings of €178 million (market value) in third-party emerging market corporate bond funds and a €56 million holding in an emerging market green bond fund (see 'The issue of energy transition in emerging countries' box on page 95).

73. Date of first investment.

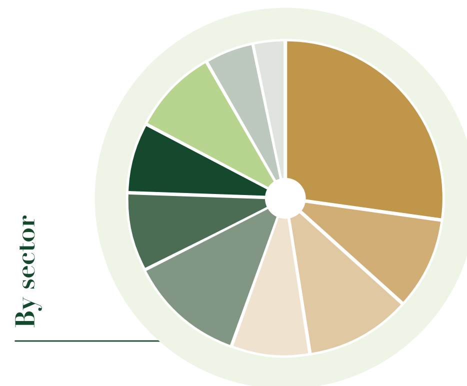
BREAKDOWN OF US DOLLAR-DENOMINATED CORPORATE BONDS HELD IN THE DELEGATED MANAGEMENT MANDATES BY SECTOR AND RATING AT 31 DECEMBER 2021

(AT MARKET VALUE)

Source — ERAFP



- **50.6%** – BBB
- **21.9%** – A
- **17.2%** – BB
- **7.7%** – B
- **2.6%** – AA

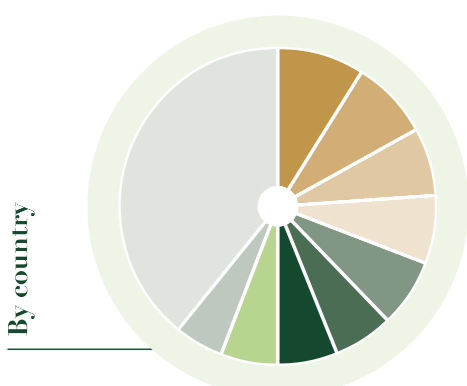


- **27.4%** – Finance
- **11.8%** – Healthcare
- **10.7%** – Materials
- **9.4%** – Telecommunications
- **8.8%** – Consumer staples
- **8.3%** – Consumer discretionary
- **8.2%** – Energy
- **7.2%** – Industrials
- **5.1%** – Technology
- **3.1%** – Utilities

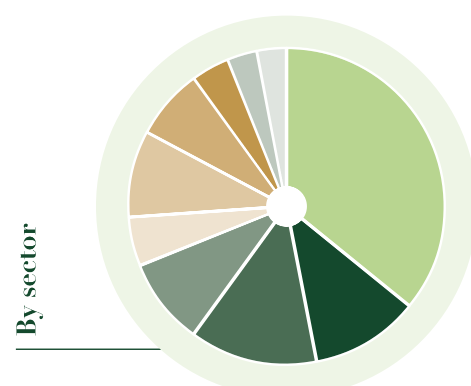
BREAKDOWN OF EMERGING MARKET CORPORATE BONDS HELD IN THE DELEGATED MANAGEMENT MANDATES BY SECTOR AND COUNTRY AT 31 DECEMBER 2021

(AT MARKET VALUE)

Source — ERAFP



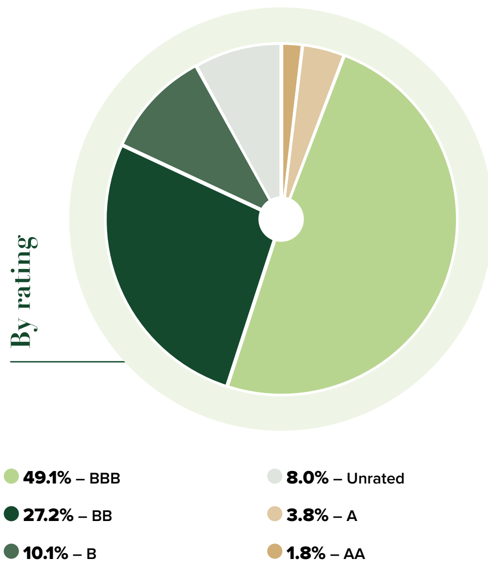
- **42.4%** – Other
- **10.1%** – United Arab Emirates
- **8.7%** – China
- **7.8%** – Mexico
- **7.6%** – Brazil
- **7.4%** – Peru
- **7.0%** – Colombia
- **6.7%** – India
- **6.5%** – Chile
- **5.9%** – Philippines



- **35.8%** – Finance
- **13.4%** – Energy
- **11.0%** – Materials
- **9.1%** – Industrials
- **8.9%** – Utilities
- **7.2%** – Consumer discretionary
- **4.9%** – Telecommunications
- **4.0%** – Healthcare
- **2.9%** – Consumer staples
- **2.8%** – Other

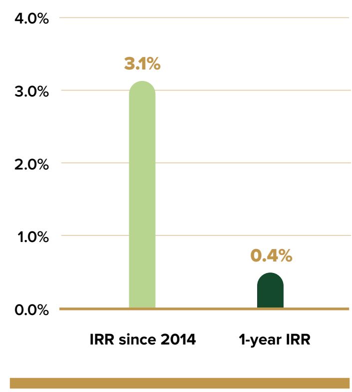
BREAKDOWN OF EMERGING MARKET CORPORATE BONDS HELD IN THE DELEGATED MANAGEMENT MANDATES BY RATING AT 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP



IRR OF THE INTERNATIONAL CORPORATE BOND PORTFOLIO SINCE 2014[74] AND ONE-YEAR IRR AT 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP



At 31 December 2021, unrealised gains on the international bond portfolio were equal to 3.2% of its amortised cost. Its one-year IRR (at market value) stood at 0.4% and the IRR since its first investment in 2014 was 3.1%.

THE ISSUE OF ENERGY TRANSITION IN EMERGING COUNTRIES

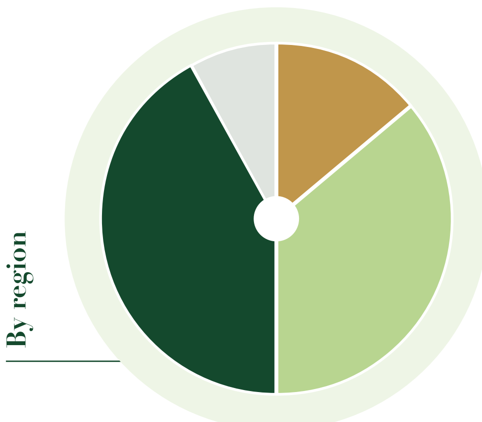
In 2019, ERAFP invested €50 million in Amundi Planet Emerging Green One, the largest emerging market green bond fund to be launched to date, with €1.4 billion under management. The fund results from a partnership between Amundi and IFC, a member of the World Bank group, aimed at encouraging the creation of a high-quality green bond market with support measures for issuers and attractive returns for institutional investors.

74. Date of first investment.

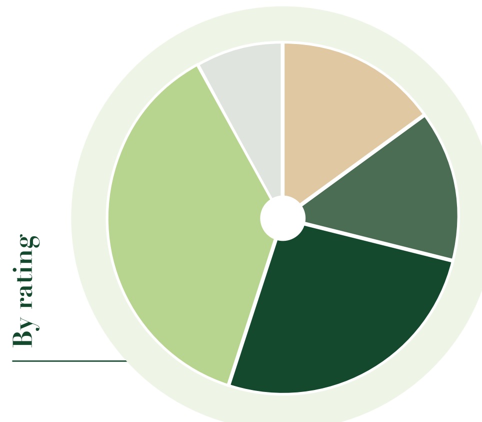
CONVERTIBLE BONDS

BREAKDOWN OF CONVERTIBLE BONDS BY REGION, RATING AND SECTOR AT 31 DECEMBER 2021 (AT MARKET VALUE)

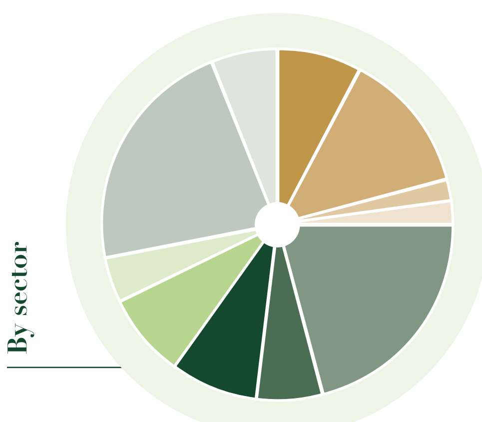
Source — ERAFP



- **42.1%** – Europe
- **36.2%** – America
- **13.7%** – Asia
- **8.0%** – Cash, currency forwards and options



- **37.6%** – BBB
- **25.7%** – BB
- **14.8%** – A
- **13.5%** – B
- **8.0%** – Cash, currency forwards and options



- **21.5%** – Technology
- **20.8%** – Finance
- **13.4%** – Consumer discretionary
- **8.4%** – Telecommunications
- **8.0%** – Cash, currency forwards and options
- **7.9%** – Industrials
- **5.9%** – Healthcare
- **5.6%** – Utilities
- **4.2%** – Materials
- **2.3%** – Energy
- **1.9%** – Consumer staples

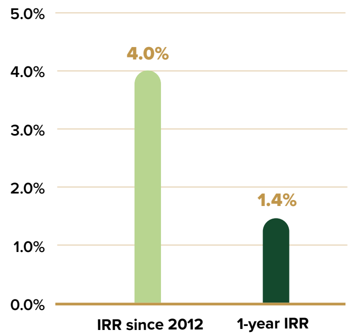
Put in place in 2012, the convertible bond mandates have been entrusted to BTF/CQS and Lombard Odier Gestion. At 31 December 2021, the convertible bond portfolio totalled €904 million at amortised cost, representing 2.7% of ERAFP's total assets.

Unrealised gains at the end of 2021 were equal to 22.8% of amortised cost.

The one-year IRR of the convertible bond portfolio stood at 1.4% at 31 December 2021. The portfolio has returned 4.0% since its creation in 2012.

IRR OF THE CONVERTIBLE BOND PORTFOLIO SINCE 2012[75] AND ONE-YEAR IRR AT 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP



SRI profile

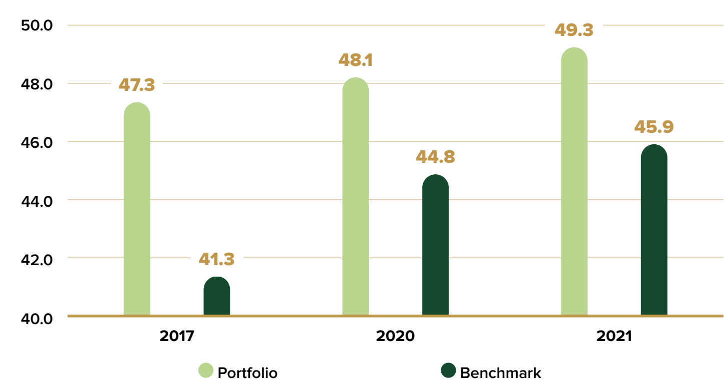
The aggregate SRI rating for ERAFP's corporate bond[76] and convertible bond portfolios has exceeded that of the benchmark since 2017[77]. In 2021, the portfolio outperformed its benchmark by 3.4 points.

The portfolio's rating has increased by 2 points since 2017.

Note that ERAFP's US dollar corporate bond portfolio is at a disadvantage in relation to its benchmark index, which is composed wholly of investment grade securities whereas around 25% of ERAFP's portfolio is made up of high-yield bonds. Issuers of high-yield bonds are generally less transparent on ESG themes than their investment-grade counterparts.

CHANGE IN THE AVERAGE SRI RATING FOR THE CORPORATE BOND PORTFOLIO COMPARED WITH BENCHMARK

Source — Moody's ESG Solutions, 31 December 2021



75. Date of first investment.

76. Includes both the euro- and dollar-denominated corporate bond portfolios.

77. Year of implementation of the amended corporate SRI guidelines introduced in 2016.

Climate analysis

CARBON INTENSITY

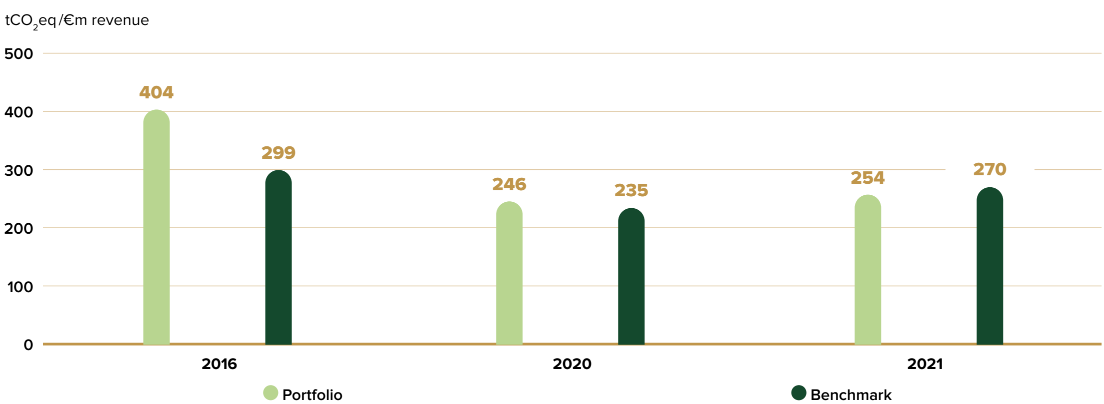
AGGREGATE CARBON INTENSITY PERFORMANCE OF THE CORPORATE BOND[78] AND CONVERTIBLE BOND PORTFOLIOS COMPARED WITH BENCHMARK

Source — S&P Global, 30 November 2021

	SCOPES 1 AND 2 (TCO_2EQ/€M REVENUE)	ALL SCOPES COMBINED (TCO_2EQ/€M REVENUE)
Aggregate corporate bond and convertible bond portfolio	175	1201
Benchmark	204	1186
Relative performance	**-14%**	**+1%**

AGGREGATE CARBON INTENSITY OF CORPORATE AND CONVERTIBLE BOND PORTFOLIOS COMPARED WITH BENCHMARK (DIRECT EMISSIONS AND DIRECT SUPPLIERS)

Source — S&P Global, 30 November 2021



78. Includes the euro- and dollar-denominated corporate bond portfolios and the emerging market bond portfolio.

In 2021, the aggregate carbon intensity of the corporate bond and convertible bond portfolios, calculated as a weighted average for scopes 1 and 2, was 14% lower than that of the benchmark index (175 tCO_2eq/€m of revenue vs. 204 tCO_2eq/€m of revenue).

The difference in performance was attributable to a better allocation of securities in the materials sector compared with the index.

If we add scope 3 emissions, the index's carbon performance was 1% better than the portfolio's, due to a negative stock selection effect in the financial sector for the corporate bond portfolio and in the consumer discretionary sector for the convertible bond portfolio. Note, however, that while they provide an overview of the entire value chain, results including scope 3 should be interpreted with caution as there is an increased risk of double counting emissions.

The aggregate carbon intensity of the corporate bond and convertible bond portfolios compared with the benchmark as regards direct emissions and direct suppliers is shown on page 98.

ALIGNMENT WITH A 1.5°C TEMPERATURE SCENARIO

At 31 December 2021, 18% of the aggregate carbon footprint of the corporate and convertible bond portfolios was attributable to companies whose GHG 1.5°C or less alignment target had been validated by the SBTi, compared with 11% for the index.

This percentage was virtually nil (1%) in 2019. The increase bears witness to the initiative's increasing importance; it was launched in 2015, at a time when companies' desire to set such targets was beginning to take hold. Indeed, the share of the carbon footprint attributable to companies that have adopted an SBTi approach more than tripled between 2019 and 2021 (from 12% to 44%).

GREEN BONDS

As well as aligning its portfolio with a temperature scenario consistent with the Paris Agreement, which provides an indication of the contribution to the global warming limitation target, ERAFP makes investments aimed at reducing greenhouse gas emissions[79]. ERAFP's corporate bond portfolio funds low-carbon projects categorised as green bonds, for example. Of the 84 green bonds held in the portfolio, only 20 were analysable due to a lack of communication from the remainder of the issuers. These 20 bonds, which had a market value of €633 million at 30 November 2021, have already made it possible to avoid 787 tCO2 per € million invested[80], mainly through their funding of renewable energy projects[81].

BREAKDOWN OF GREEN BONDS (%)

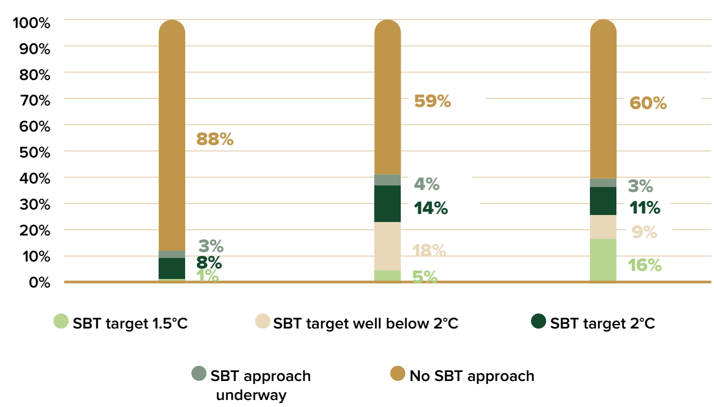
Source — S&P Global

68% – Share of green bonds for which emissions avoided are not calculated

32% – Share of green bonds for which emissions avoided are calculated

PERCENTAGE OF ERAFP'S ASSETS IN THE CORPORATE BOND AND CONVERTIBLE BOND PORTFOLIOS COVERED BY SCIENCE-BASED TARGETS, BY TARGET TYPE (SCOPES 1 AND 2)

Source — S&P Global, SBTi, ERAFP; 30 November 2021



79. See the table on pages 63-64 for a full presentation of these investments.

80. Analysis over the entire project life cycle.

81. In 2020, the portfolio's green bond investments made it possible to avoid 1,253 tCO_2 per € million invested. The fall observed this year is attributable to the fact that the indicator used is no longer "emissions avoided" but "carbon intensity avoided". Moreover, the number of green bonds has increased (from 40 last year, including 13 analysed, to 84 this year, including 20 analysed), which potentially leads to the funding of green bonds with a lower "carbon intensity avoided". These figures also derive from individual issuers' methodologies, which can vary significantly.

THE **PUBLIC SECTOR BOND** PORTFOLIO

Financial profile

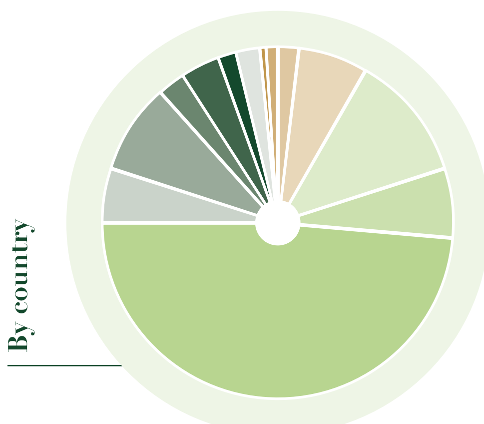
ERAFP manages all public sector bonds directly; their value at amortised cost at end-2021 was €7.1 million.

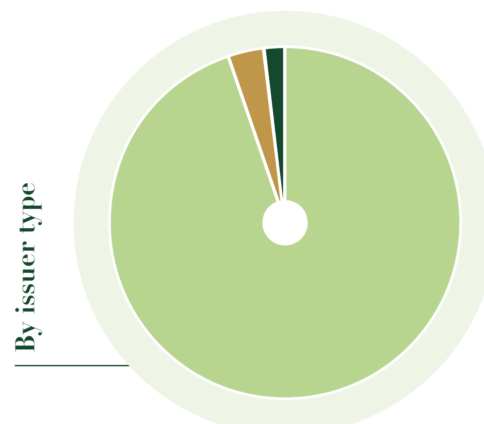
Sovereign bonds accounted for 79% of this portfolio, or around 21.4% of the Scheme's total investments. They include fixed-rate and inflation-linked bonds issued by euro-zone countries as well as bonds guaranteed by those countries, such as those issued by Kreditanstalt für Wiederaufbau, the German national development bank.

The remainder are issued by local and regional authorities in the OECD and supranational institutions.

BREAKDOWN OF PUBLIC SECTOR BONDS BY COUNTRY AND ISSUER TYPE AT 31 DECEMBER 2021 (AT AMORTISED COST)

Source — ERAFP



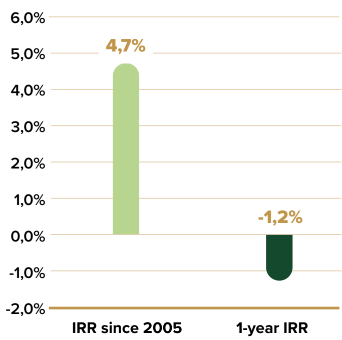


- **48.4%** – France
- **11.6%** – Belgium
- **8.6%** – Italy
- **6.6%** – Austria
- **6.4%** – Spain
- **5.0%** – Ireland
- **3.5%** – Netherlands
- **2.5%** – Luxembourg
- **2.4%** – Portugal
- **2.0%** – Germany
- **1.6%** – Poland
- **1.1%** – Switzerland
- **0.3%** – Slovakia

- **94.8%** – Sovereign and government agencies
- **3.4%** – Supranational bodies
- **1.8%** – Local and regional authorities

IRR OF THE PUBLIC BOND PORTFOLIO SINCE 2005[82] AND ONE-YEAR IRR AT 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP



The IRR of sovereign and similar bonds between the Scheme's inception and end-2021 came to an annualised 4.7% in market value terms, notably reflecting the fact that bond yields were much higher (3.6% yield on purchase) when the portfolio was first formed than in 2021. The one-year IRR, meanwhile, stood at -1.2%, and the unrealised gain on the fixed-rate securities portfolio was 20.7%. The unrealised gain on the inflation-linked bond portfolio was 23.7%.

SRI profile

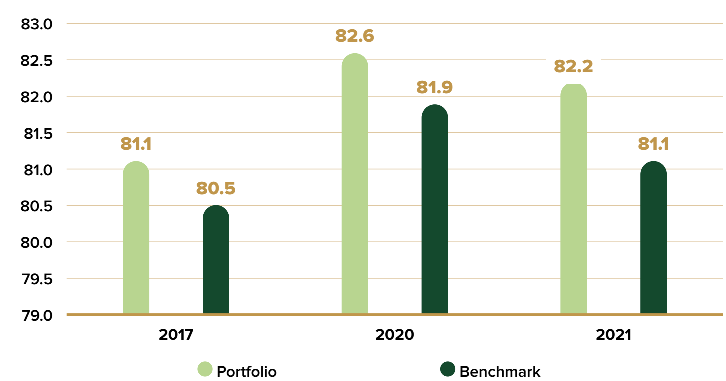
All issuers in ERAFP's portfolio satisfy its SRI criteria, based on the Moody's ESG Solutions rating. Indeed, all the countries whose bonds are part of ERAFP's portfolio have obtained an average SRI score much higher than 50/100, the minimum rating defined for this asset class in ERAFP's SRI guidelines.

The portfolio outperformed its benchmark index by 1.1 points in 2021 (vs. 0.7 points in 2020), an outperformance on non-financial criteria attributable mainly to the portfolio's relative overweighting of France, which has a good SRI rating, and its underweighting of securities issued by countries with a below-average SRI rating and credit quality. There is in fact a relatively strong correlation between the financial and non-financial assessments of sovereign issuers.

Note also that, given the limited size of the investment universe of euro-denominated securities issued by OECD countries and the relatively similarity of its constituents' SRI profiles, it is unlikely that the gap between the overall SRI ratings of the portfolio and the index will significantly widen.

CHANGE IN THE AVERAGE SRI RATING FOR THE SOVEREIGN BOND PORTFOLIO COMPARED WITH BENCHMARK

Source — Moody's ESG Solutions, 31 December 2021



82. Date of first investment.

Climate analysis

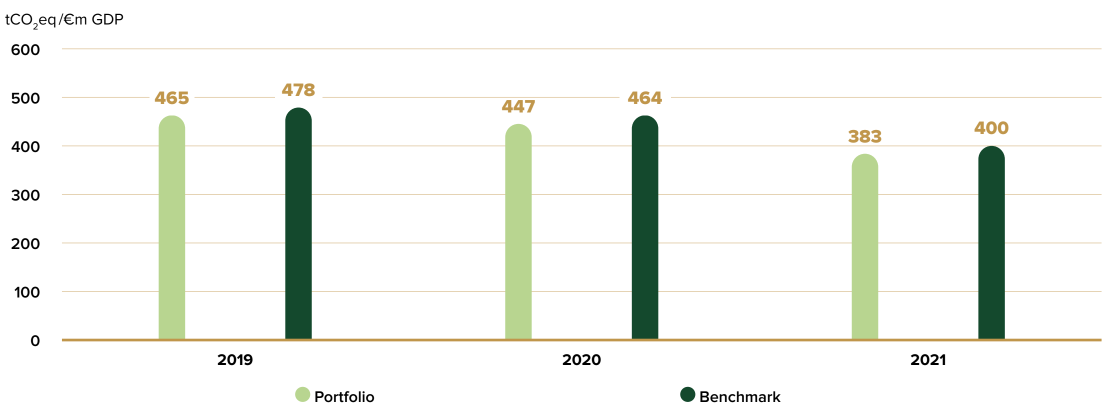
CARBON INTENSITY

The carbon intensity of ERAFP's sovereign bond portfolio, calculated as a weighted average, was 4.3% lower than that of the benchmark index. This positive difference was mainly due to the portfolio's overweighting of French government securities. This relates to the fact that nearly three-quarters of the energy produced in France is from a low-carbon, nuclear source. So while the share of renewable energies in its energy mix remains relatively low, France's ratio of greenhouse gas emissions to GDP is one of the euro-zone's lowest.

The drop in carbon intensity between 2020 and 2021, for both the portfolio (-14.3%) and the index (-13.8%), is due to the fact that the 2021 figures for both GHG emissions and GDP in fact relate to 2020. Emissions fell more sharply than GDP in 2020 owing to the Covid-19 pandemic.

CARBON INTENSITY OF THE SOVEREIGN BOND PORTFOLIO COMPARED WITH BENCHMARK

Source — S&P Global, 30 November 2021



In 2021, the carbon intensity of ERAFP's sovereign bond portfolio, calculated as a weighted average, was 4.3% lower than that of the benchmark index.

Green share

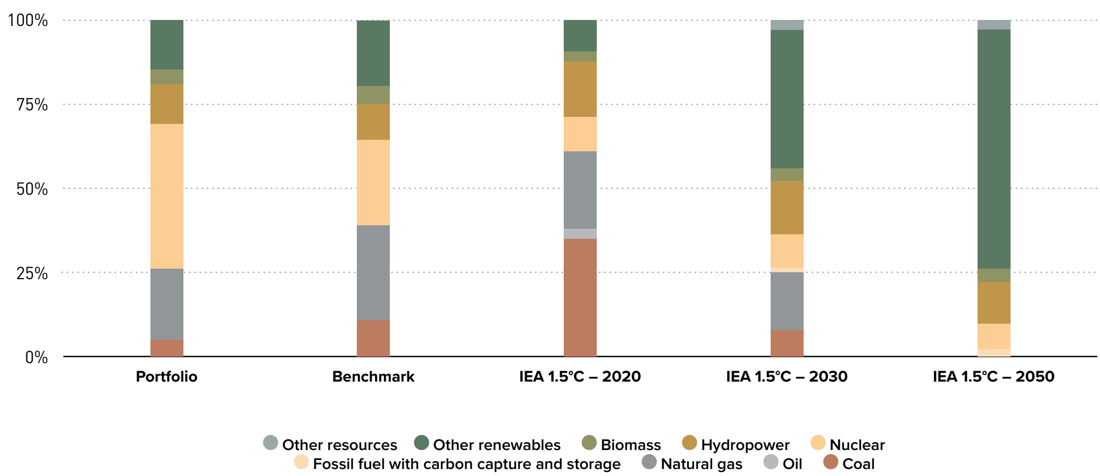
FOCUS ON ELECTRICITY GENERATION

Comparing the portfolio's energy mix with several forward-looking carbon neutrality scenarios, in this case those of the International Energy Agency (IEA), provides a clearer picture of how it contributes to the transition to a low-carbon economy, since carbon intensity only offers a historical view of this contribution. Comparing the relative alignment with these scenarios of the portfolio's energy mix and the energy mix of a benchmark index also gives an indication of the degree of progress made in the portfolio.

The graph below shows that the percentage of the portfolio's energy mix corresponding to fossil fuels is close to that required in the 2030 transition point of the IEA scenario for meeting the 1.5°C by 2050 temperature increase target[83]. Indeed, it is already aligned with this scenario for coal (unlike the index) and oil, and close to it for natural gas and fossil fuels with carbon capture and storage. Nuclear energy accounts for a large part (43%) of the energy mix of ERAFP's sovereign portfolio, unlike the index, for which it is smaller (26%). This is due to the portfolio's higher proportion of French government bonds. The share of renewable energies, meanwhile, is in line with the 2020 transition point of the IEA's 1.5°C scenario.

ENERGY MIX OF THE SOVEREIGN PORTFOLIO (IN GWH GENERATED)

Source — S&P Global, 30 November 2021



83. Data taken from the 1.5°C scenario developed by the International Energy Agency in the report "Net Zero by 2050, a roadmap for the global energy sector".

THE **REAL ESTATE** PORTFOLIO

Financial profile

ERAFP's real estate portfolio comprises six diversified SRI asset management mandates:

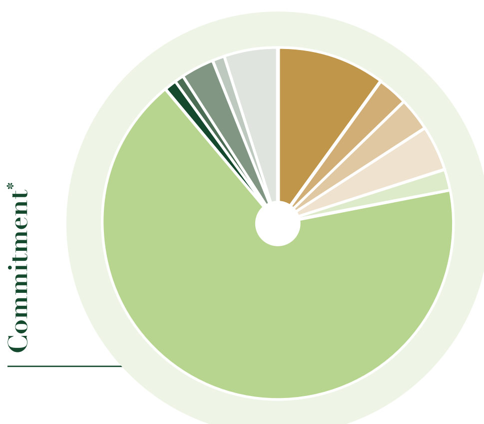
- Four French real estate mandates, two of which are managed on a diversified basis by AEW Ciloger and La Française REM, a third under which AEW Ciloger manages ERAFP's headquarters building and a fourth in the residential real estate sector, managed by Ampère Gestion.
- Two European diversified real estate mandates, one managed by AXA Real Estate IM SGP and the other by LaSalle IM.

At 31 December 2021, the real estate portfolio totalled €4.2 billion at amortised cost, representing 12.6% of ERAFP's total assets. Unpaid commitments of €559 million, pending future deliveries of buildings and cash calls by funds currently in the investment phase, can be added to this amount. ERAFP's commitment to invest €153 million in subsidised 'intermediate' housing funds forms part of its real estate portfolio.

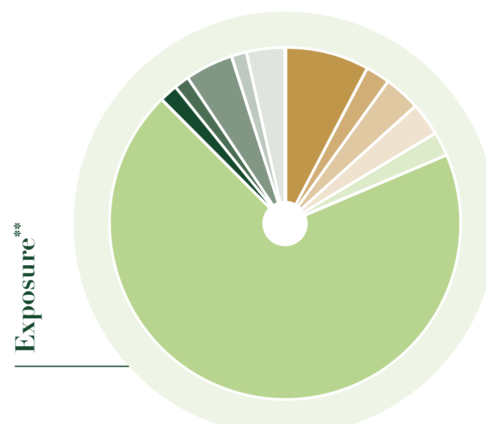
The portfolio's unrealised gains were equal to 8.2% of its amortised cost at end-2021 and its one-year IRR stood at 7.9%. The portfolio has returned 4.1% since its creation in 2012.

GEOGRAPHICAL BREAKDOWN OF THE REAL ESTATE PORTFOLIO AT 31 DECEMBER 2021

Source — ERAFP



- **66.7%** – France
- **7.8%** – Germany
- **5.5%** – United Kingdom
- **3.9%** – Spain
- **3.4%** – Other European countries
- **3.0%** – Belgium
- **3.1%** – Netherlands
- **2.3%** – Finland
- **1.9%** – Luxembourg
- **1.7%** – Czech Republic
- **0.8%** – Ireland



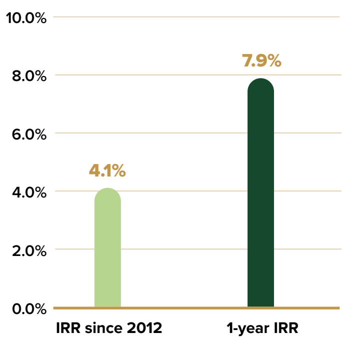
- **68.9%** – France
- **7.8%** – Germany
- **4.2%** – Netherlands
- **3.5%** – United Kindom
- **3.2%** – Spain
- **3.1%** – Other European countries
- **2.4%** – Belgium
- **2.3%** – Finland
- **1.6%** – Ireland
- **1.5%** – Luxembourg
- **1.5%** – Czech Republic

* Commitment represents the sum of the amount disbursed for existing and delivered assets, the acquisition price, including taxes, of off-plan purchases not delivered, the amount disbursed for funds no longer making calls and the amount of the commitment for the funds.

** Exposure represents the sum of the appraisal value of real estate assets and of the underlying assets of funds. It is calculated inclusive of debt.

IRR OF THE REAL ESTATE PORTFOLIO SINCE 2012[84] AND ONE-YEAR IRR AT 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP



SRI profile

ERAFP has developed a rigorous and innovative SRI process for real estate assets, adapting the five values of its SRI Charter to the asset class. It not only focuses on the real estate's environmental impact, but also integrates social progress, human rights, democratic labour relations and good governance criteria into its management. In this respect, taking these criteria into account along the entire management chain is of crucial importance. This approach also aims to adapt the best in class principle to the specific nature of the real estate asset class by incorporating a dynamic approach consistent with the investments' lifespan. In practical terms, this involves seeking two different aspects of SRI performance for real estate:

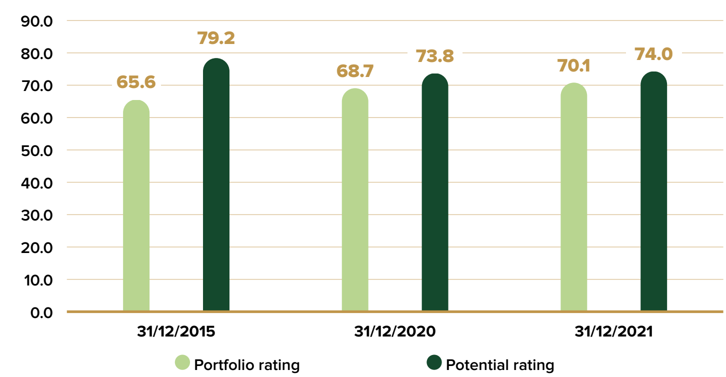
- relative performance, comparing the non-financial characteristics of these buildings and their management (lease, use, maintenance) with those of other buildings of the same type (same usage and type of construction, equivalent location);
- dynamic performance, aiming to raise each asset to best in class status, based on an estimate of its potential SRI rating made at the date of acquisition.

In summary, real estate assets can only be selected for ERAFP's portfolio if they have a high SRI rating within their category at the time of acquisition or strong potential for improvement.

The consolidated rating for ERAFP's real estate portfolio[85] continued to improve, from 68.7 in 2020 to 70.1[86] in 2021, mainly driven by various renovation work and the delivery of highly-rated buildings. The potential rating increased slightly compared with last year (from 73.8 to 74.0), and while the gap between the consolidated portfolio's actual and potential ratings was smaller in 2021 than in 2020 (3.9 points and 5.1 points, respectively), the scope for improvement remains. As the real estate portfolio is in an expansion phase, its SRI ratings may change due to new acquisitions in the coming years. Most (i.e. 77%) of the real estate assets in ERAFP's portfolio are certified[87], to standards of minimum environmental and social performance. This figure was up 5% from last year. Most certifications obtained or pending are BRE Environmental Assessment Method (BREEAM), High Quality Environmental (HQE) and/or NF Habitat.

CHANGE IN THE CONSOLIDATED REAL ESTATE PORTFOLIO'S SRI RATING

Source — Asset managers



84. Date of first investment.
85. Consolidated rating of the five real estate management mandates.
86. The scope under review increased by 21% in terms of number of assets.
87. Obtained or pending.

Climate analysis

REAL ESTATE PORTFOLIO GREENHOUSE GAS EMISSIONS INDICATORS[88]

Source — Carbone 4, 31 December 2020

	ABSOLUTE EMISSIONS (TCO_2EQ)	CARBON FOOTPRINT (TCO_2EQ/€M INVESTED	CARBON INTENSITY (TCO_2EQ/€M REVENUE)	SURFACE INTENSITY ($KGCO_2EQ$/SQ M/YEAR)
2018	30,100	15	287	42
2019	37,700	14	261	38
2019 (excluding travel)	27,900	-	-	38
2020	**23,900**	**8,6**	**177.3**	**33.2**

As shown in the table above, all the real estate portfolio greenhouse gas emissions indicators that ERAFP uses (absolute emissions, carbon footprint, carbon intensity and surface intensity) fell between 2019 and 2020. This was due to several factors:

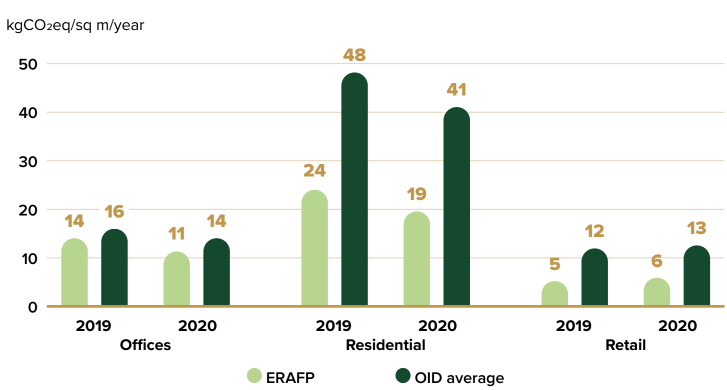
- better data collection;
- reduced energy consumption associated with the health crisis;
- reduction in the carbon content of the energy mix of the countries in which ERAFP has investments (excluding France and heating networks);
- building energy efficiency improvement work.

There is another factor behind this sharp decrease over the period under review: a significant part of the fall observed between 2019 and 2020 in absolute emissions, carbon footprint and carbon intensity stems from the fact that emissions arising from travel to and from ERAFP's premises were not taken into account in 2020[89].(surface intensity excludes this item in any case). ERAFP was able to use the data at its disposal to calculate the change in absolute emissions for 2019 excluding travel. The like-for-like decrease between 2019 and 2020 was -14.3%, compared with -36.6% if travel is included in the 2019 figure.

In 2021, ERAFP compared the surface intensity of its French real estate portfolio with that of a benchmark index[90]. As shown in the chart below, ERAFP outperformed the index in all segments of its real estate portfolio.

COMPARISON OF THE FRENCH REAL ESTATE PORTFOLIO'S SURFACE INTENSITY WITH THAT OF A EUROPEAN SAMPLE

Source — Carbone 4, OID; 31 December 2020



88. The analysis covers €2.8 billion in terms of the amount invested by ERAFP at the end of 2020, i.e. 82% of the real estate portfolio.
89. In 2020, ERAFP's premises occupancy rate fell due to the measures taken to combat the Covid-19 pandemic.
90. Sustainable Real Estate Observatory (OID) barometer average by asset type.

THE **MULTI-ASSET** PORTFOLIO

Financial profile

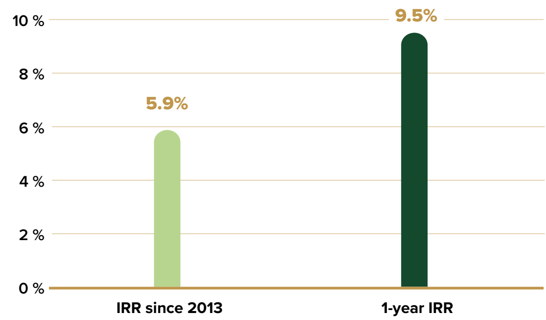
Amundi holds this mandate, which was first awarded in 2013, with the aim of maximising performance while complying with ERAFP's SRI Charter and optimising the risk-return ratio by implementing a diversified, flexible and dynamic asset allocation. The fund is managed using a risk budget, based on a fundamentals approach, with no benchmark constraint. The risk budget for this fund was set at -25% for 2021.

At 31 December 2021, the multi-asset fund totalled €928 million at amortised cost, representing 2.8% of ERAFP's total assets. Unrealised gains were equal to 38.0% of amortised cost, up from 2020.

At the end of 2021, the multi-asset portfolio's one-year IRR was 9.5%, and its IRR since the portfolio's creation in 2013 was 5.9%.

IRR OF THE MULTI-ASSET PORTFOLIO SINCE 2013[91] AND ONE-YEAR IRR AT 31 DECEMBER 2021 (AT MARKET VALUE)

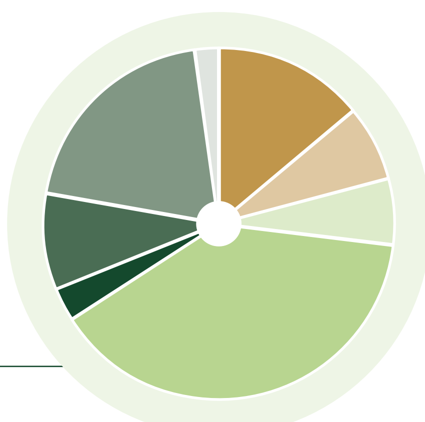
Source — ERAFP



BREAKDOWN OF MULTI-ASSET PORTFOLIO BY REGION AND ASSET CLASS AT 31 DECEMBER 2021 (AT MARKET VALUE)

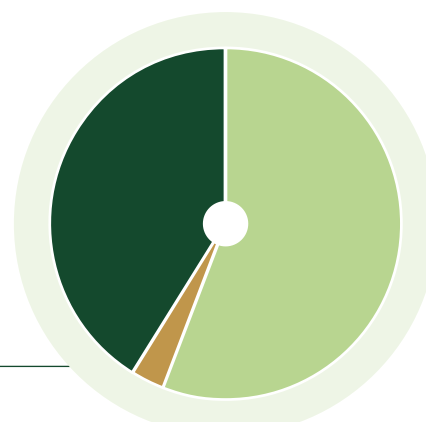
Source — ERAFP

By region



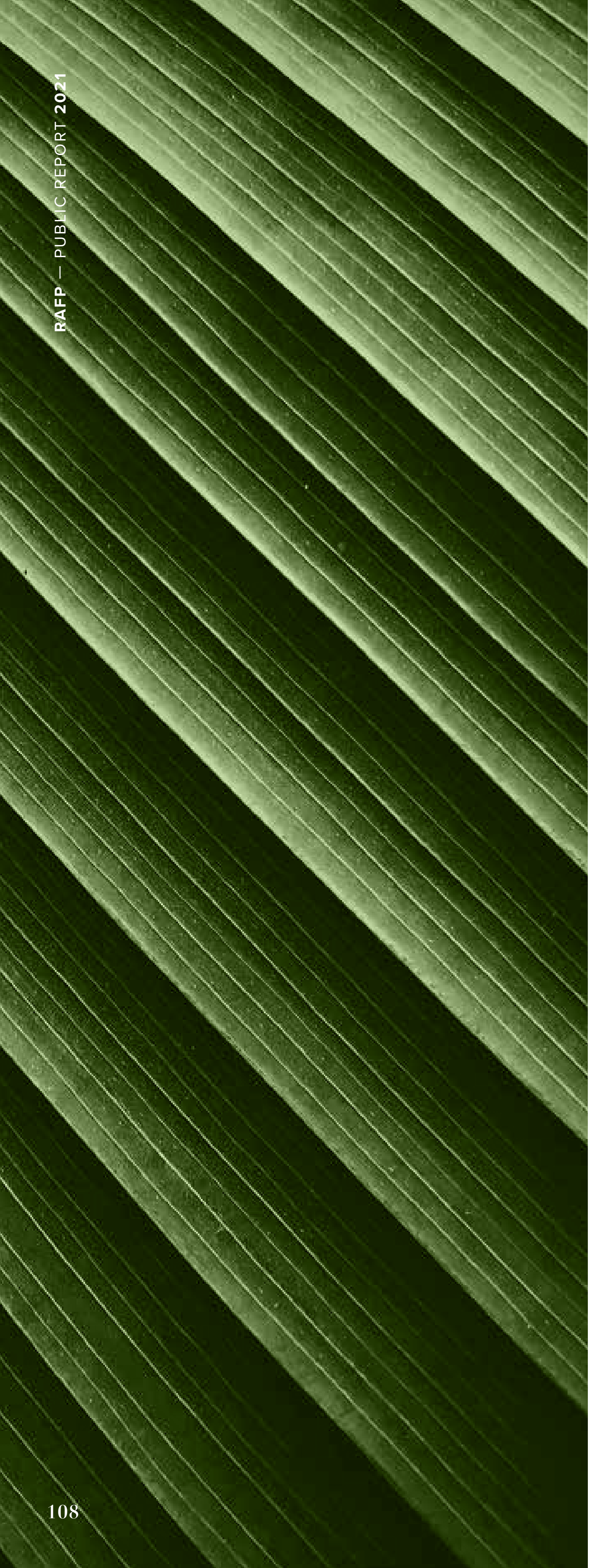
- **39.3%** – Global
- **19.6%** – Euro-zone
- **14.1%** – United States
- **9.5%** – Emerging countries
- **6.6%** – Europe (outside the euro-zone)
- **6.2%** – Japan
- **3.0%** – OECD
- **1.7%** – Asia (excluding Japan)

By asset class



- **56.2%** – Equities
- **41.1%** – Bonds
- **2.7%** – Money market

91. Date of first investment.



SRI profile

ERAFP has developed specific provisions for applying its SRI guidelines to multi-asset fund management. It was decided that the SRI eligibility of funds available for selection by Amundi would be determined based on:

- an analysis of the management process put in place: the only funds eligible are those that follow a best in class SRI approach or a particular environmental (reduction of climate change, protection of water resources, etc.) or social (healthcare, combating poverty, etc.) approach; or
- an analysis of the fund's SRI quality based on the SRI rating of each issuer represented in the fund; or
- the fund obtaining an SRI label or 'Article 9' classification under the European SFDR regulation[92].

92. Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector.

THE **PRIVATE EQUITY AND INFRASTRUCTURE** PORTFOLIO

Financial profile

ERAFP uses two delegated management methods to invest in unlisted private equity and infrastructure assets.

As from 2015, it began to make direct subscriptions to investment funds, which at end-2021 amounted to:

- €597 million in private equity funds (€311 million called);
- €510 million in infrastructure funds (€201 million called);
- €190 million committed (€64 million called) to dedicated renewable energy and/or energy transition funds (private equity and infrastructure).

Starting in 2017, ERAFP has awarded unlisted asset management mandates as follows:

- €450 million in the dedicated private equity fund, managed by Access Capital Partners, which has already made commitments totalling €372 million (€221 million called);
- €340 million in the dedicated infrastructure fund (including €100 million dedicated exclusively to renewable energies), managed by Ardian France, which has already made €319 million of commitments (€171 million called).

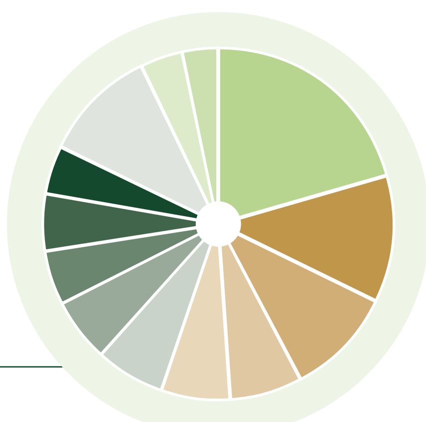
The amounts invested in the unlisted portfolio at 31 December 2021 therefore totalled €746 million (with ERAFP having committed €1.9 billion in total), comprising:

- €411 million in private equity assets (€1.043 billion committed);
- €335 million in infrastructure assets (€850 million committed).

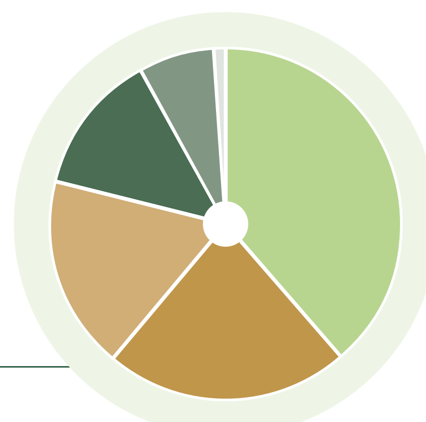
SECTOR BREAKDOWN OF PRIVATE EQUITY AND INFRASTRUCTURE FUNDS AT 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP

Private equity



Infrastructure



Private equity

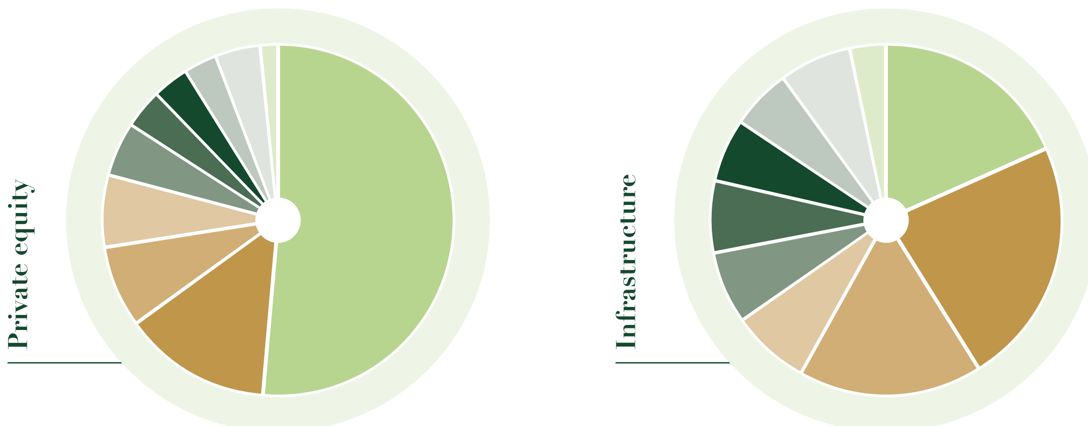
- **20.8%** – Technology
- **11.6%** – Healthcare
- **10.5%** – Other sectors
- **10.0%** – Manufacturing
- **6.7%** – Consumption
- **6.4%** – Services
- **6.4%** – Agri-food
- **5.6%** – Consulting
- **5.2%** – Finance
- **5.1%** – Telecommunications
- **4.5%** – IT software packages and services
- **4.0%** – Energy transition
- **3.2%** – Construction

Infrastructure

- **38.8%** – Energy transition
- **22.4%** – Transport
- **17.8%** – Communications
- **13.0%** – Social infrastructures
- **7.1%** – Energy
- **0.9%** – Utilities

GEOGRAPHIC BREAKDOWN OF PRIVATE EQUITY AND INFRASTRUCTURE FUNDS AT 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP

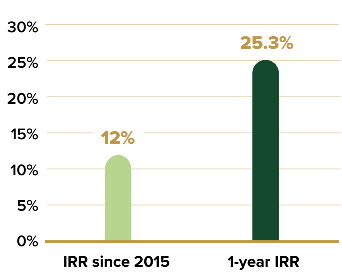


- **51.6%** – France
- **13.8%** – United Kingdom
- **7.5%** – Nordic countries
- **6.7%** – Germany
- **4.9%** – United States
- **4.3%** – Other European countries
- **3.6%** – Italy
- **3.4%** – Netherlands
- **3.0%** – Switzerland
- **1.5%** – Rest of the World

- **22.9%** – Other European countries
- **18.4%** – France
- **16.9%** – United states
- **7.2%** – Spain
- **6.9%** – Rest of the world
- **6.8%** – Italy
- **6.5%** – United Kingdom
- **5.9%** – Germany
- **5.4%** – Netherlands
- **3.1%** – Switzerland

IRR OF THE PRIVATE EQUITY AND INFRASTRUCTURE PORTFOLIO SINCE 2015[93] AND ONE-YEAR IRR AT 31 DECEMBER 2021 (AT MARKET VALUE)

Source — ERAFP



At end-2021, the unrealised gain on the private equity and infrastructure portfolio was equal to 30.1% of its amortised cost. Its one-year IRR stood at 25.3% at 31 December 2021 and its IRR since the portfolio's creation in 2015 at 12.0%.

SRI profile

In connection with its unlisted asset management mandates, ERAFP has developed SRI criteria for private equity and infrastructure investments. The aim of these criteria is to adapt to the specific features of these asset classes while applying the five values of ERAFP's SRI Charter. Each criterion adapts the best in class principle to the specific nature of the asset class by incorporating a dynamic approach consistent with the investments' lifespan. Practically speaking, this means using the investment as a lever to encourage improvement in practices. Particular attention is also paid to managing the reputational risk arising from any controversial practices associated with portfolio companies or projects.

93. Date of first investment.

As the delegated asset managers invest mainly through mutual funds, SRI analysis is based on two aspects:

- the SRI management process implemented by the target fund;
- ESG assessment and monitoring of portfolio investments in relation to ERAFP's SRI criteria.

Private equity portfolio

In 2021[94], all the managers selected for ERAFP's private equity fund mandate signed ERAFP's delegated asset manager ESG clause. 43% of the management companies issued an ESG report (compared with 35% in 2020) and 71% had signed the PRI (compared with 55% in 2019).

Managers are also assessed on the basis of the ESG reporting of the companies in the underlying funds and their ability to analyse and meet the ESG criteria identified within the companies. Based on these criteria, the average ESG rating of the managers of the portfolio's underlying funds was 7.4/10, up 0.4 of a point from last year (based on the assessment of the delegated asset manager of ERAFP's private equity portfolio).

Infrastructure portfolio

In terms of infrastructure investments, the delegated asset manager first ensures that potential investee funds do not invest in companies that extract or burn coal or have been found guilty of violating international environmental, social or governance standards. All fund managers are then assessed before an investment is made, based on a rating grid analysing their ESG policy, their management of significant ESG risks, their contribution to managing the ESG risks and opportunities of the underlying assets, and the transparency of their ESG reporting. All the managers selected by the delegated asset manager of ERAFP's portfolio have a responsible investment policy. In 2021[95], 100% were signatories to the PRI.

The underlying assets in which ERAFP's funds are invested are assessed on the basis of 32 ESG criteria representing its entire SRI framework. ERAFP's fund managers are therefore assessed both on their own ESG performance and on their management of the ESG performance of those underlying assets.

Based on the 2021 assessment, which covered the underlying assets of the funds invested in at 30 September 2021, the average ESG performance of the assets in the portfolio was 60% (compared with 55% in 2020). The assessment covered 92% of the portfolio's market value (versus 58% in 2020).

94. Based on 2020 data.

95. Based on the 2020 assessment.

APPENDICES

ERAFP: AN INVESTOR RECOGNISED BY ITS PEERS

At the fourth edition of the International Climate Reporting Awards organised by the French Ministry for the Ecological Transition, the French Ecological Transition Agency and the think tank 2° Investing Initiative, ERAFP was awarded a prize for the quality of its latest climate report.

ERAFP also won the prize for best French pension fund 2021 at the IPE Awards, an accolade reflecting its European peers' recognition of the quality of its investment policy.

STATUTORY AUDITORS' REPORT ON THE **2021** **FINANCIAL STATEMENTS**

Statutory Auditors' Report on the Financial Statements

ERAFP

Year ended 31 December 2021

To the supervisory authorities of ERAFP,

Opinion

In compliance with the engagement entrusted to us by the supervisory authorities, we have audited the accompanying financial statements of ERAFP for the year ended 31 December 2021. In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Institution as at the end of that year and of the results of its operations for the year then ended in accordance with French accounting rules and principles.

Basis of opinion

Terms of reference

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditors for the audit of the financial statements" section of this report.

Independence

We conducted our audit in compliance with the independence rules applicable under the French Commercial Code and the French code of ethics for statutory auditors for the period from 1 January 2021 to the date of issue of our report.

Justification of our assessments

The global crisis related to the Covid-19 pandemic created unusual circumstances for the preparation and audit of the financial statements for this period. This crisis and the exceptional measures taken in connection with the state of health emergency are impacting companies in many ways, particularly as regards their activity and financing, and leading to increased uncertainty as to their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on companies' internal organisation and the way audits are carried out.

In this complex and changing context, pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following assessments which, in our professional judgement, were the most significant for the audit of the financial statements for the period.

- Certain technical items among the liabilities in your Institution's financial statements, notably provisions, are estimated on a statistical and actuarial basis in accordance with regulatory procedures, as described in note "3.3.3. Scheme benefits and provisions" in the notes to the financial statements. We assessed the assumptions and valuation procedures used to prepare these accounts, and based on the information available, performed testing to verify the application of these procedures and the consistency of the assumptions made in the light of the Institution's past experience and its economic and regulatory environment. We also examined the appropriateness of the information provided in the notes to the financial statements.

- Financial assets are recognised and measured in accordance with the procedures set out in note "3.3.4. Investment transactions" in the notes to the financial statements. We assessed the valuation policies for these assets and, based on the information available to date, we performed testing to verify their application.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific elements of the financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by law and regulations.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the board of directors and the other documents on the financial position and the financial statements submitted to the supervisory authorities.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of financial statements that comply with French accounting principles and for such internal control as it determines is necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing ERAFP's ability to continue as a going concern, disclosing, as applicable, matters related to its continuation as a going concern and using the going concern basis of accounting unless it is expected to liquidate the Institution or cease its operations.

The financial statements have been approved by the board of directors.

Responsibilities of the statutory auditors for the audit of the financial statements

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As specified by Article L. 823-10-1 of the French Commercial Code, our statutory audit does not provide assurance as to ERAFP's viability or the quality of management of its affairs.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement in the financial statements, whether due to fraud or error, designs and performs audit procedures in response to those risks, and obtains audit evidence that the auditor considers to be sufficient and appropriate to provide a basis for his/her opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that for one resulting from error, as fraud may involve collusion, falsification, intentional omissions, misrepresentation or the overriding of internal control;

- obtains an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;

- evaluates the appropriateness of the accounting policies used and the reasonableness of the accounting estimates by management and the related disclosures in the financial statements;

- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Institution to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, attention must be drawn in the audit report to the relevant disclosures in the financial statements, or, if such disclosures are not provided or are inadequate, a qualified opinion, adverse opinion or disclaimer of opinion must be issued;

- evaluates the overall presentation of the financial statements and assesses whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Issued at Paris-La Défense and Neuilly-sur-Seine, 14 April 2022.

The Statutory Auditors

Mazars	**Grant Thornton** **French member firm of Grant Thornton International**
François Lembezat	Brigitte Vaira-Bettencourt

INTERNAL CONTROL ORGANISATION AND RISK MANAGEMENT SYSTEM

System

The purpose of internal control and the risk management system is to give the Scheme's supervisory and management bodies and ERAFP reasonable assurance that the following objectives are met:

- the aims and objectives set by ERAFP's management, in compliance and consistently with the orientations defined by the board of directors;
- risk management;
- economical and efficient use of resources;
- reliability and integrity of accounting and financial information, and compliance with laws, regulations and internal rules and procedures.

ERAFP's internal control organisation and risk management system are based on the following fundamental principles:

- clear governance and organisation, and the segregation of duties: to reduce the risk of conflicts of interest and/or fraud, the commitment, settlement and control functions must be distinct;
- existence of several levels of control: distinction between first-level controls (carried out by the operational staff or their managers) and second-level controls (carried out by dedicated, hierarchically independent control staff);
- implementation of dedicated tools, specific committees and appropriate procedures.

ERAFP's internal control system includes:

- permanent control, which is ERAFP's responsibility;
- the control activities carried out by the board of directors, which delegates the most detailed tasks to its specialised audit committee.

For ERAFP, the main players in monitoring the internal control and risk management system are:

- "operations" staff, who are the risk owners and are responsible, together with their managers, for effectively performing first-level controls;
- the internal control and operational risk department (CIRO): in addition to carrying out second-level controls, this department is responsible for coordinating and supervising the risk management system and the first-level controls carried out by the operations staff;
- the financial risk control department (RFI), which coordinates and supervises the financial risk control system and performs second-level controls relating to financial risks.

The CIRO and RFI departments, which report to the ERAFP's deputy CEO for finance and operations, work closely together on all these matters. They are independent from the activities that they control;

- the ERAFP accounting agency, which carries out controls as a public accountant independently of the authorising officer.

The accounting agency's participation in ERAFP's internal control system is based on the fundamental principle of segregation of duties between authorising officer and accountant, pursuant to Article 191 of Decree no. 2012-1246 of 7 November 2012 on public budgetary and accounting management.

With respect to risk, ERAFP distinguishes between mismatch risks between the Scheme's assets and liabilities, financial risks and operational risks.

Mismatch risks between the Scheme's assets and liabilities mainly include the risk that the Scheme's financial assets are insufficient to cover its liabilities, which may arise specifically from the materialisation of financial risks in relation to investing, member demographic risk (mainly comprising longevity risk), risk in relation to the model applied to tables and discount rate calculations, and the risk of a timing mismatch between the Scheme's asset and liability cash flows. By extension, the Scheme is also exposed to the economic and regulatory risks affecting mandatory public-sector pension schemes, which could impact the coverage of its liabilities by assets.

Financial risks include credit risk, market risk, liquidity risk, inflation risk, counterparty risk, country risk, currency risk, investment risk and concentration risk.

Operational risks include human resources risk, accounting, budgetary and tax risk, legal and compliance risk, information systems security risk, physical and environmental risks, fraud risk and administrative risk. By extension, ethics-related risk and image and reputational risk are also dealt with under operational risk.

ERAFP has entrusted certain activities to third parties:

- the management of financial assets, other than sovereign bonds and directly held fund investments, is delegated to financial asset managers authorised to act on behalf of third parties;
- the Scheme's administrative management is mandated by the Decree of 18 June 2004 to Caisse des dépôts et consignations, which, under the authority and control of the board of directors, carries out tasks such as collecting contributions, maintaining individual retirement accounts, calculating rights, paying benefits to employees of local and regional authorities and public hospitals, managing relations with beneficiaries and employers, and Scheme accounting;
- the Public Finances Directorate General (DGFiP) is responsible for paying Scheme benefits to central government beneficiaries.

The scope of control therefore covers:

- first: ERAFP, i.e. its own staff, processes and systems:
- second, and indirectly: the risks and controls of ERAFP's service providers and external agents, particularly the management companies, CDC and the DGFiP.

Changes in risk management and internal control in 2021

A number of notable projects and initiatives relating to risk management and internal control took place in 2021:

- the risks and internal control committee continued to hold regular meetings. This committee, chaired by ERAFP's CEO and usually held twice or three times a year, comprises the head of internal control and operational risk, the head of financial risk control and the other members of ERAFP's management committee. In addition, a financial risk committee made up of the financial risk control department, the deputy directors and the technical and financial management teams meets before and reports to the risks and internal control committee;
- the project to update the risk mapping, based on the existing mapping, was launched in the second half of 2021 and is continuing in the first half of 2022. It is divided into three major phases: implementation of project governance, identification of risks by staff, and classification and formal risk mapping;
- the two mandate agreements, one between ERAFP and CDC and the other between ERAFP and the DGFiP, were signed in December 2020 and have now been implemented, effective 1 January 2021. They provide for better steering of the Scheme processes delegated to these two bodies and of the controls that they carry out. The controls defined in the two agreements were applied throughout 2021 and did not reveal any significant transaction processing anomalies;
- implementation of ERAFP's control plan continued, including the aspects relating to the ERAFP/CDC and ERAFP/DGFiP mandate agreements, as did the action plans identified on the basis of the risk mapping;
- the work initiated in 2019 to formalise the financial risk framework, a key component of ERAFP's financial risk management system, continued in 2021, through the implementation of a credit risk management framework that complements the frameworks for managing country risk and foreign currency risk, and also through the formalisation of the market risk framework, which was all but finished. The financial risk frameworks project is expected to be completed in 2022;
- the work of ERAFP's ALM/Actuarial unit in 2021 involved using the Solveo asset-liability management tool to model new asset class sub-categories. Meanwhile, ERAFP's inclusion in CDC's "data lake" project will enable it to take advantage of more detailed and more frequently updated member data and thereby improve its control of data on its liabilities.

ASSET MANAGEMENT MANDATES AWARDED BY ERAFP

Pursuant to the applicable regulations, ERAFP delegates most of its asset management to external asset managers.

Allocating the delegated investment management portfolios to a number of different firms spreads financial risk across a number of service providers; this is a prudent approach to the management of assets administered on behalf of beneficiaries.

Other than for the euro-denominated corporate bond mandates, each of the asset managers has set up a dedicated fund in which ERAFP invests based on market conditions in accordance with a fully internal investment process.

In 2021, ERAFP launched two financial tenders:

- in February, to select four French small and mid cap equity managers;
- in November, to select four US dollar-denominated SRI bond managers.

In July, ERAFP awarded a number of US equity mandates in connection with previously launched tenders.

Mandates managed on ERAFP's behalf at end-2021

EQUITY MANDATES

- seven companies (Allianz GI, Amundi, AXA Investment Managers Paris, EdRAM, Mirova, Ofi AM and Sycomore AM) were managing euro-zone listed mid and large cap equities;
- one company (Candriam) was managing European listed mid and large cap equities;
- one consortium (BFT IM – Montanaro AM) was managing European listed small and mid cap equities;
- two companies (Sycomore AM and Amiral Gestion) were managing French listed small and mid cap equities;
- one company (BTFM IM) was managing US mid cap equities;
- two companies (Ostrum AM and Oddo BHF AM) were managing US large cap equities;
- two companies (Comgest SA and Robeco Institutional Asset Management) were managing Pacific-region listed large cap equities.

CORPORATE BOND MANDATES

- two companies (Amundi and Ostrum AM) were managing euro-denominated corporate bonds;
- one company (AXA Investment Managers Paris) was managing US dollar-denominated corporate bonds;
- one company (Aberdeen Standard Investments) was managing emerging market corporate bonds.

CONVERTIBLE BOND MANDATES

- two companies (BFT/CQS and Lombard Odier Gestion) were managing global convertible bonds.

REAL ESTATE MANDATES

- two companies (AEW Ciloger and La Française REM) were managing French real estate assets;
- two companies (AXA Real Estate Investment Managers SGP and LaSalle IM) were managing European real estate assets;
- one company (Ampère Gestion) was managing French residential real estate assets.

MULTI-ASSET MANDATE

- one company (Amundi) was managing a multi-asset portfolio.

PRIVATE EQUITY AND INFRASTRUCTURE MANDATES

- one company (Access Capital Partner) was managing a portfolio of unlisted private equity assets;
- one company (Ardian Capital SA) was managing a portfolio of unlisted infrastructure assets;

CURRENCY HEDGING MANDATE

- one company, (Millennium Global Europe) was managing a specialised professional currency hedging fund.

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